Budget: Community College Mission at Stake

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State of emergency

California opens critical debate to save health care

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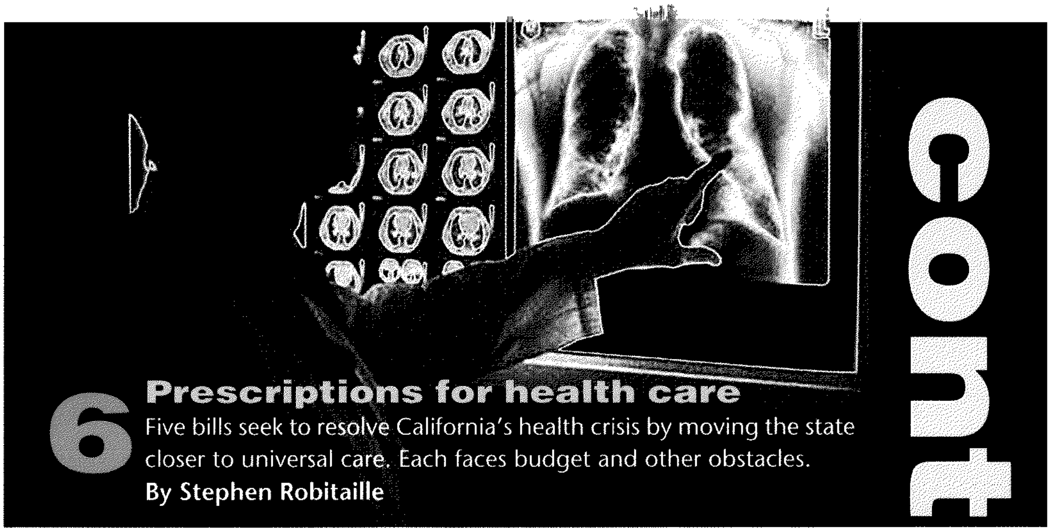

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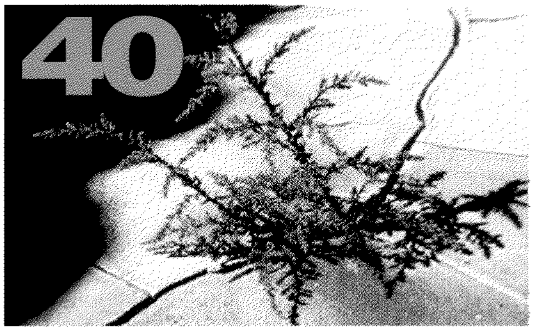

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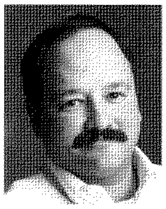

California-size problems are measured in millions of lives and billions of dollars. This year's budget deficit dwarfs the total spending in most states. When our health care system is in crisis, treatment delays, uninsured populations and cost increases are almost unimaginable. And now, the continuing fight for water is reaching a turning point that will reach far beyond our borders. In each case, strong feelings on both sides of the issues, the history of the battles and the enormous stakes are daunting obstacles. But each problem will be resolved. How it will happen is sure to be a fascinating story. And you can read the latest in this issue of *California Journal.*

umbrage

Economy needs more taxes. Will we have an economic recovery to help California avoid budget deficits in the future? The quarterly report issued recently by UCLA's Anderson School found reason for mild optimism. But it also warned that lawmakers could squash hopes for a recovery if they cut spending too dramatically. The suggestion from Edward E. Leamer, director of the UCLA Anderson Forecast, won't sit well with Republicans who have taken a no-tax pledge. "Now is the time to lean strongly on tax increases," Leamer wrote. He said sharp reductions in government spending are more likely to cause an economic downturn than an increase in taxes. Leamer said the consumer spending levels are "largely unaffected" by tax increases. He said tax increases should be temporary so they don't drive businesses to states that have lower rates. Overall, the forecast saw a modest expansion ahead. It predicted nonfarm payroll employment will grow 0.7% this year and 2.2% in 2004. It also saw a growth in personal income of 3% this year and 5.3% next year, leading to an increase in taxable sales of 5.8% by 2004.

Education layoffs. Who says politicians listen to the polls. A survey last month (see page 20) found education is still such a high priority that most Californians want to protect it from any cuts. In the Capitol, however, lawmakers are considering about $8 billion in education cuts over two years, and the impact is sure to be felt by every student and his or her parents. School districts are preparing for the cuts by issuing layoff notices to thousands of teachers. The extent of the layoffs won't be determined until this summer at the earliest when the state budget is set and local districts learn about their funding. But officials estimate that layoff notices were sent last month to as many as 30,000 teachers statewide. The changes are threatening one of the most popular education programs in recent years and one that was a favorite campaign-trail boast for candidates—smaller class sizes. Several pending bills would allow early grades to exceed the current maximum of 20 students per teacher. Some schools are considering whether to drop out of the state program altogether, even though that would mean a drop in state funding.

California split. On the eve of war with Iraq, Californians were more divided than the nation. Fifty-three percent favored military action in a February poll, far short of national support. Twenty five local governments in California adopted anti-war resolutions. But in the state Capitol, lawmakers didn't even open the debate.

Demonstrators dressed in costume carrying dolls to look like dead babies protest against the war, San Francisco. Reuters: Lou Dematteis, 3/15/2003.

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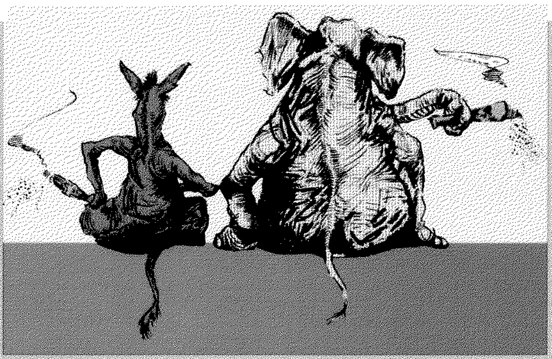
Legislature:

Twelve members watching



When it comes to press announcements about operations of the Legislature, anything that doesn't come from a leadership office is viewed with curiosity if not suspicion. And that was the case when a group that includes seven Democrats and five Republicans in the Assembly held a press conference a few weeks ago to urge more bipartisan cooperation and a more expedited budget process. The members emphasized that they were not being critical of legislative leaders. But the implication was that the process was *not* adequately bipartisan and it was moving too slowly. The 12 members included Democrats Joe Canciamilla of Pittsburg, Patty Berg of Eureka, Lou Correa of Anaheim, John Dutra of Fremont, Alan Lowenthal of Long Beach, Lois Wolk of Davis, Gloria Negrete McLeod of Ontario and Republicans Keith Richman of Northridge, Tom Harman of Huntington Beach, Patricia Bates of Laguna Niguel, Lynn Daucher of Brea and Robert Pacheco of Walnut. Five weeks after their group was launched, aides said recently that the members continue to meet regularly. They said their concerns received the proper attention, and there is no need for further announcements. But they're still watching.

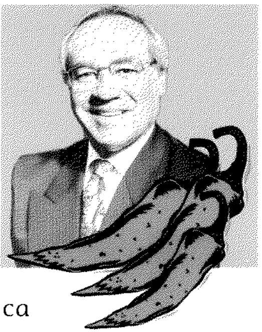
Free Speech:

Creative protesting

At a time of so much alarm in the world, it can take a bit of creativity to gain attention for the cause. And California, of course, is a national leader in creativity *and* in protests. There have been many anti-war protests, for example. But one that received more than its share of attention involved about 100 women who took off their clothes in a grassy field near Occidental and spelled the word TRUTH with their naked bodies. "If Americans knew the truth behind what their government is doing, I'm sure they would all oppose it," an organizer said. Elsewhere, Republican college students at UC Berkeley managed to protest affirmative action with chocolate chip cookies. The students sold the cookies on Sproul Plaza for $1.50 to whites and 25 cents to blacks because affirmative action "assigns different values to people based on skin color," said one sponsor.

Honors Awards:

Congressman Caliente



California was well represented this year by Democratic Congressman Joe Baca. When it came to the second annual competition of hot-pepper states, Baca downed 47 jalapenos to claim the top title of "Zestiest Legislator." The competition, co-sponsored by *Chili Pepper* Magazine, drew elected contestants from the pepper states of Alabama, Arizona, California, Florida, Georgia, Louisiana, New Mexico, Nevada, Texas and Utah. Baca's performance dethroned last year's winner, Texas Rep. Max Sandlin. Bay Area Rep. Anna Eshoo also downed 15 peppers for the cause and Rep. Darrell Issa (R-Vista) was credited with 33.

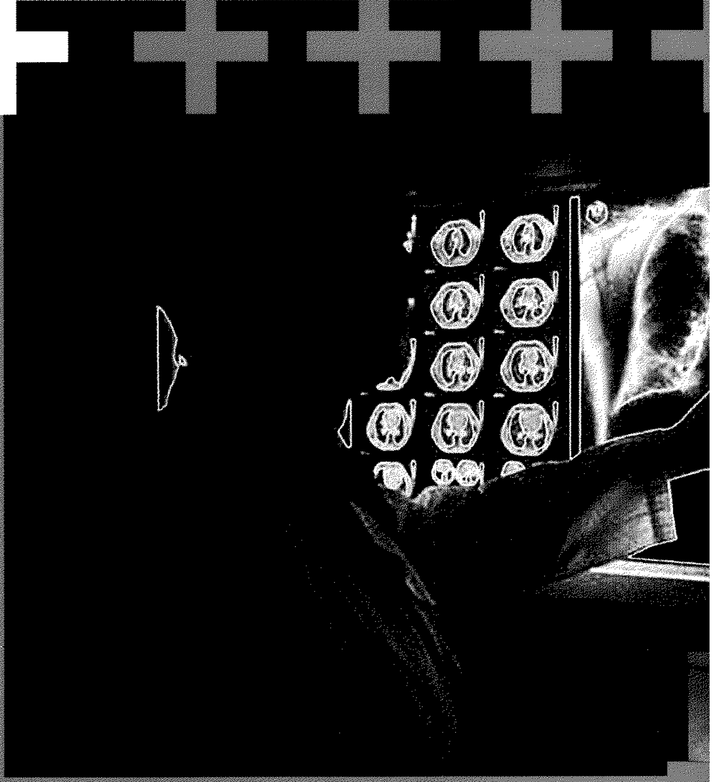
Quotables.....

"Ask me the question when they have a half a million signatures, valid signatures, OK?"

— Lt. Gov. Cruz Bustamante, 3/15, when asked whether he would run for governor if the effort to recall Gov. Davis qualifies for the ballot with 1 million signatures.

REMEDIES FOR AN A

There is broad consensus that California's health crisis is so severe that major change is needed. The question is what to do. Five bills this year offer a range of ideas, but prospects for all are dim.



By Stephen Robitaille

It is high season for health care reform in Sacramento, with five major bills at play in the state Legislature, offering every thing from a government-run health care system to mandates that would require employers to offer insurance to their workers.

Those who best know California's staggering health care system say they are glad to see the reform debate spring to life once again. But they caution that the system — pounded by recession and steeply rising costs, an onslaught of uninsured patients and proposed meat-axe cuts to safety net health programs — needs serious structural reform. And it needs that reform soon.

Otherwise, they say, the state's health care infrastructure will be ready for a color coding system like that in use at the emergency room of San Francisco General Hospital. There, it is "condition yellow" when there are at least 10 patients who need to be admitted but must wait because there are no beds in the wards, and "condition red" when the number of those waiting for beds forces doctors to fill the hallways with gurneys.

California's system, say health care experts, will be on condition red.

"I think we know the public system is in real trouble, and it has to get fixed if we're to have any safety net left," said Bruce Bodaken, chairman and chief executive of Blue Shield of California, a major sponsor of one of the five reform bills pending in the Legislature. "People in the upper-income brackets

ILING SYSTEM

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Emergency

will always be able to find good care, but that's not what we're about, or what this state is about. ... For many others — the Medi-Cal community, the middle class — it's a serious problem. We have two to three years to deal with this until the system really starts to unravel."

In many ways, the proposals to fix California health care are familiar revisions of previous failed reform plans. The difference this time is the depth of the state's financial woes — the worst since the end of World War II — which has spawned unusual coalitions among California's powerful health care constituencies and could ultimately prompt major changes.

Many participants say they don't expect any proposals to become law in the current legislative session because the state is facing a major budget deficit — estimated by the governor at $35 billion — in the 2002-04 fiscal years. But there is widespread belief that this year's launch of ideas to overhaul the California health care system will produce serious reform within the next one to two years.

First, the debate will involve complex and high-stakes questions like who should pay for health coverage — the government, employers or individuals — who should be covered and what medical services should be provided.

Universal coverage

As the plans pending in the Legislature demonstrate, there is a wide variety of proposed solutions, each with its own coterie of powerful supporters and opponents. While the proposals vary, experts say any one of the bills could move the state closer to a system of universal coverage, adding that the combination of the recession, under-funded safety net programs, spiraling health care costs, and the high cost of treating the uninsured, has prompted discussions that would have been unthinkable even two years ago.

"I love the fact that the conversation has shifted from whether we should have universal coverage to how we should provide it," said Senator Sheila Kuehl (D-Santa Monica), the author of one proposal. "My bill includes a tax . . . so I am not incredibly optimistic about getting it off the floor of the Senate [this year]. I am, however, incredibly optimistic about getting the message out to the people of California."

The proposals in the current legislative session are:

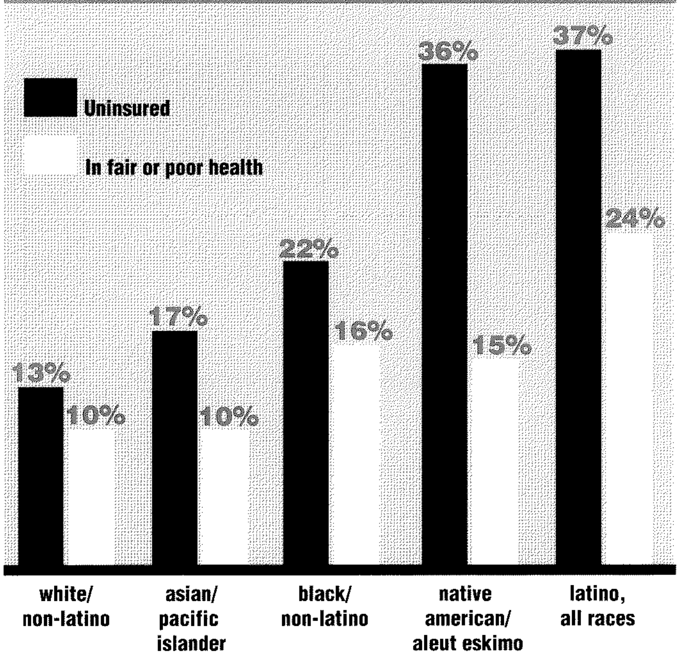
- SB 921, by Kuehl. A "single payer" bill, the proposal would replace the state's existing private insurance system with a single state agency that guarantees universal health care for all Californians. The agency would be run by an elected commissioner, it would take over billing and administrative services currently done by health plans, and it would set rates and coverage packages. Patients would get medical, dental, vision and mental health services, and prescription drugs, and would have free choice on providers. Kuehl is proposing a 2-3 percent payroll tax on workers and a 5-6 percent payroll tax on employers, as well as still-unspecified taxes on alcohol, tobacco and unearned income to help fund the plan.

- SB2, by Senate President pro Tem John Burton (D-San Francisco) and Senator Jackie Speier (D-Hillsborough). This is a bill sponsored by the California Labor Federation, AFL-CIO. It would require all employers, with exceptions for some small businesses, to offer health insurance to their workers and dependents, or contribute to a statewide insurance fund that would provide basic benefits to all employees not covered under work place-sponsored plans. The bill would provide coverage for all employed Californians, including part-time workers and their dependents. Covered services will include medical care and prescription drugs.

- AB 1528, by Assemblywoman Rebecca Cohn (D-Saratoga). A proposal that was first articulated by Bodaken in a December speech at San Francisco's Commonwealth Club (Blue Shield of California is a major sponsor of the bill). The bill would both mandate that employers offer insurance and that workers who can afford it, buy insurance coverage. The plan would provide coverage for all employed Californians and their dependents, would provide medical services and prescription drugs, and calls for an as-yet undetermined tax or fee to help cover program costs.

- AB 1527, by Assemblyman Dario

Latinos most likely ethnic group to be in poor health or uninsured



Source: Urban Institute's tabulations of the National Survey of America's Families, 1997

Health care experts cite a chilling confluence of factors that have helped spark the current crisis.

Frommer (D-Glendale). A bill which has employer mandates similar to Burton's plan, but which would offer short-term subsidies to small employers to help them provide insurance, or allow them to buy into cheaper, public safety-net insurance programs for employees who qualify for them. The bill, which does not yet say which types of services will be covered, calls for a two-year phase-in of the program. The bill would provide coverage for all employed Californians and their dependents. At press time, the bill did not yet address how the state would raise funds for the proposed subsidy.

- AB 30, by Assemblyman Keith Richman (R-Northridge). The bill would seek to expand coverage to low-income adults through broadened access to a key public health program for the poor. It limits its scope to lowering the number of poor uninsured individuals in California. The bill would expand coverage to adults via the Healthy Families program, a state-federal insurance plan currently limited to low-income children.

The bill would expand coverage to an estimated 300,000 uninsured parents of children already enrolled in the program. The expansion is already permitted by Washington but has yet to be funded by the state. The bill also would seek a new federal waiver to cover an estimated 2 million childless adults who meet income guidelines for the program. Richman is mulling a plan to fund his bill by changing the way health plans are taxed in California, which he said could raise $700 million to $800 million a year.

Kuehl's is the only reform measure that would guarantee coverage for all, including unemployed adults who are not currently covered by any other safety-net program. The bills by Burton, Frommer and Cohn are aimed at employed adults and their dependents. Under the Burton-Speier bill, unemployed adults and their children would continue to receive coverage through the two major public health programs — Medi-Cal and Healthy Families. The bills by Richman and Cohn will seek expansions of the Medi-Cal and Healthy Families programs to boost coverage for unemployed low-income adults.

Higher costs

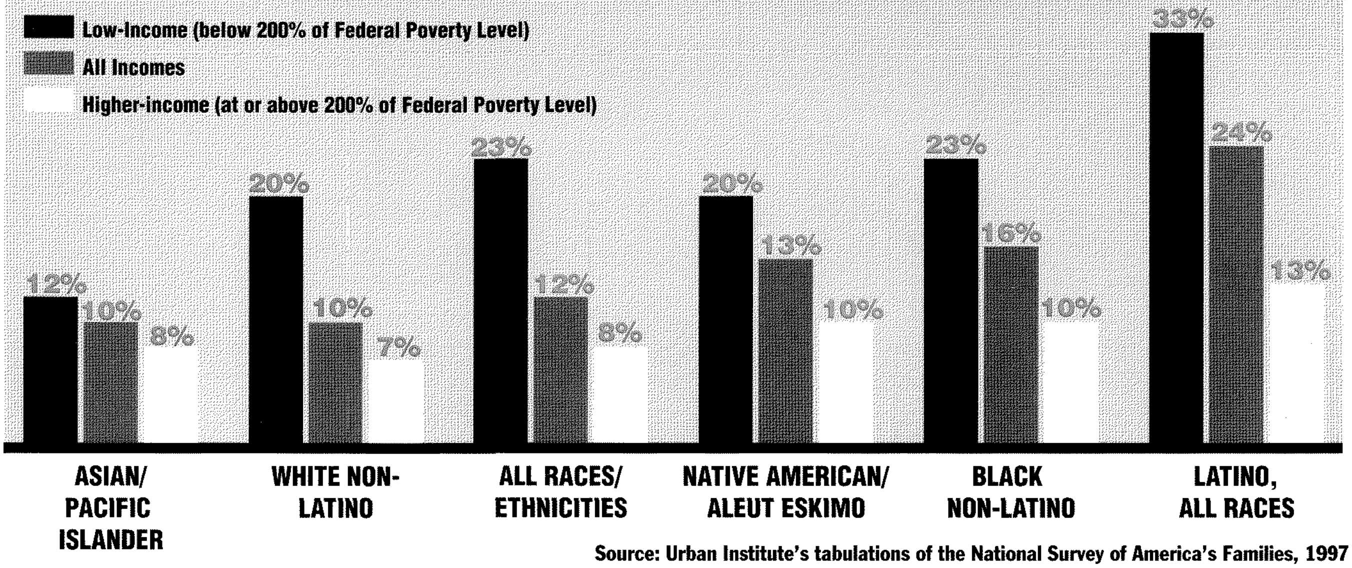
While reformers hold a multiplicity of views on how best to fix California's health care system, there is little argument over the fact that the system needs fixing.

Health care experts cite a chilling confluence of factors that have helped spark the current crisis. Health care costs, driven in large part by new technologies and prescription drugs, continue to rise in double-digit fashion each year, causing serious and wide-ranging impacts on the system.

"Lots of employers are concerned as the economy suffers," said Laurence Baker, a health policy professor at Stanford University. "The economy and costs have driven lots of folks into more difficult situations. Employers don't offer coverage or they charge a larger share of the premium. The quality of coverage also has declined a lot."

Rising costs also contribute to another major impact on California health care — the state's swelling numbers of uninsured patients. Estimates on the number of uninsured Californians vary widely, but experts say it is clear that they are swamping the en-

Fair or poor health in non-elderly adults by race/ethnicity



Source: Urban Institute's tabulations of the National Survey of America's Families, 1997 tire system.

An annual survey from the UCLA Center for Health Policy Research placed the number of state residents who lacked health insurance at any time in 2001 at roughly 6.6 million, or one in six Californians. However, a study in March by the advocacy group Families USA, which used U.S. Census data, reported that 11 million Californians lacked insurance at some time in 2001 and 2002. That same U.S. Census report found that the highest increases to the uninsured came from the middle class — not the poor.

Employers, who had long viewed the uninsured as an issue for government, have complained that the cost of medical care for the uninsured is increasingly shifted from public programs to private insurance carriers. Economists estimate that at least 15 percent of private insurance premiums are caused by providers seeking to recover the losses from treatment of the uninsured.

In addition, uninsured patients wait longer than those with coverage to seek medical care, and are sicker and thus more expensive to treat when they finally enter the system. And uninsured patients in California frequently go to the provider that is the most expensive in the system, and the only one that is required under federal law to treat them — hospital emergency departments.

This has sparked serious financial problems among California's more than 400 hospitals, which already face a litany of cost pressures. For example, state statistics show that California hospitals provided more than $1.3 billion in uncompensated medical care in 2001. At a press conference in early March, officials from the California Medical Association and the California chapter of the American Academy of Emergency Physicians released figures that showed hospitals and physicians statewide lost nearly $540 million on emergency care in the 2001 fiscal year, a 24 percent jump over 2000.

The crisis in uninsured patients also has clogged access to emergency services in a number of urban areas statewide — for insured and uninsured patients alike. Hospitals, particularly in Los Angeles County, the state's epicenter of the uninsured, have increasingly been forced to close their emergency rooms because they are too crowded.

Public hospitals in Los Angeles County divert ambulances to other facilities a whopping 58 percent of the time, said Thomas Garthwaite, director of the county's Department of Health Services. Hospitals overall there are "on diversion" 25 percent of the time. San Francisco General Hospital diverts am-

Health care bills currently in the Legislature

SB 2

Author: Senate President Pro Tem John Burton, D-San Francisco and Senator Jackie Speier, D-Hillsborough

Structure: "Pay or Play." Would mandate California employers, with some exceptions, to either offer health insurance to their workers or contribute to a statewide insurance pool, which would provide a basic package of health benefits.

Sponsors/Supporters: California Medical Association, California Labor Federation, AFL-CIO

Opponents: California Chamber of Commerce

Who covered: All employed Californians and their dependents. Includes a basic benefits package with medical care and prescription drug.

How paid: Employer contributions, projected savings to state safety-net health insurance programs and reductions in costs to care for uninsured.

SB 921

Author: Sen. Sheila Kuehl, D-Santa Monica

Structure: Single payer. Would do away with current system of private health insurance and create a state agency to administer health care benefits.

Sponsors/Supporters: Health Access California

Opponents: California Chamber of Commerce, California Association of Health Plans

Who covered: All Californians. Would include medical, dental, vision, mental health, prescription drugs.

How paid: Pooling of state and federal health care program funds, a 2-3% payroll tax on employees and 5-6% payroll tax on employers, savings from consolidation of administrative services.

AB 1528

Author: Assembly Member Rebecca Cohn, D-Saratoga

Structure: Modified "pay or play." Would mandate California employers, with some exceptions, to offer health insurance coverage to employees or contribute to a statewide insurance pool. It would also mandate that all employees who can afford to purchase insurance coverage do so.

Sponsors/Supporters: Blue Shield of California, California Healthcare Association, Kaiser Permanente California, California Medical Association bulances due to overcrowding an average of 30 percent of the time.

In addition, private hospitals have increasingly struggled to fill the panels of physician specialists needed to staff an emergency department.

"Doctors are increasingly unwilling to come in at 2 a.m., treat a patient who is uninsured or in a health plan that the doctor is not contracted with, and then battle the plan for six months to get paid," said Jan Emerson, vice president of communications for the California Healthcare Association, the major trade association for the state's hospitals. "What's happening is that physicians are increasingly demanding to be paid, and you're seeing stipends of up to $3,000 a night, regardless of whether they come in or not."

State budget cuts

Finally, a key state-federal insurance program for low-income individuals, known in California as Medi-Cal, is facing $1.8 billion in proposed state budget cuts this year. Lawmakers are also considering a plan to shift an additional $3 billion in proposed program costs onto counties.

This could toss nearly 550,000 Medi-Cal recipients out of the program and into the ranks of the uninsured, according to some estimates. The Medi-Cal program, which California funds at one of the lowest levels in the nation, is nonetheless a lifeline for safety-net providers statewide.

"The cuts proposed by [the] Davis administration would be devastating to community clinics," said Carmela Castellano, chief executive of the California Primary Care Association, which represents community clinics. "I think if the governor's proposals go into effect, with the combination of Medi-Cal and other funding losses, the death spiral will go into effect for some clinics."

While there is little disagreement over the state of California's health care system, there remains a broad divergence of opinion on how to fix matters.

Kuehl's single payer bill is the most well-defined of the five proposals, as it was crafted from a report done for the California Health and Human Services Agency that examined a number of health care reform options.

It calls for a new state bureaucracy to administer claims and disburse payments to providers, set fees for medical services, designate covered benefits, establish standards of care, and investigate fraud. Kuehl says the bill's proposed payroll tax will cost no more overall than the current system, which the state report confirmed. The bill would place public insurance

Opponents: Health Access California

Who covered: All employed Californians and their dependents. Would include medical and prescription drugs.

How paid: Employer and employee contributions, projected savings to state safety-net health insurance programs, reductions in costs to care for uninsured, and a broad-based tax or fee, which has not been defined as yet.

AB 1527

Author: Assembly Member Dario Frommer, D-Glendale

Structure: "Pay or play." Would mandate California employers offer health insurance coverage to employees and their dependents, contribute to a statewide insurance pool, or enroll eligible employees into public health insurance programs and split the state's cost. Would also offer short-term subsidies to some small employers.

Sponsors/Supporters: None available

Opponents: None available

Who covered: All employed Californians and their dependents. Benefits package not defined as yet.

How paid: Employer contributions, projected savings to state safety-net health insurance programs and reductions in costs to care for uninsured.

AB 30

Author: Assembly Member Keith Richman, R-Northridge

Structure: Would provide health insurance coverage to low-income Californians through federal waivers in the Healthy Families program.

Sponsors/Supporters: California Medical Association

Opponents: Health Access California

Who covered: Parents of children currently enrolled in Healthy Families, a safety-net insurance program for kids, for which California already has a waiver of federal rules, and childless adults who earn up to 250% of poverty level, which would require a new federal waiver.

How paid: Considering a proposal, not yet incorporated into the bill, to change the way California taxes health plans, from the current corporate income tax, which is based upon plans' post-tax profits, to a gross premiums tax, which is based on the total premiums collected by plans.

> **"My sense is that it's about as bad as it can get."**
> **— E. Richard Brown, UCLA Health Policy Director**

program beneficiaries — and the federal share of their benefits — in the new program.

Kuehl's bill is the most sweeping of the five proposals and the most controversial. Single payer proposals have traditionally played poorly with legislators and the public, as evidenced by the failure of California's Proposition 186 in 1994 and last fall's crushing defeat of a single-payer ballot measure in Oregon. Kuehl's bill already has drawn the opposition of two powerful trade groups — the California Association of Health Plans, which represents the state's health insurers, and the California Chamber of Commerce, which represents 16,000 employers statewide.

Richard Costigan, the chamber's vice president of government affairs, said the taxes in Kuehl's bill would hamper employers' ability to stay afloat and create jobs in troubled economic times, an argument he also used in the chamber's opposition to Burton's bill, because of its mandate on employers to provide insurance. The chamber supports reduced mandates on employers and health plans to provide benefits and allowing small employers to offer modest coverage to their workers.

Three of the bills pending in the Legislature offer a more politically palatable alternative to wholesale system change, as they build on the existing employer-based system. But the bills have yet to be fully fleshed out with critical details on what services would be covered and how they would be financed.

Powerful supporters

The Burton-Speier bill offers substantial political heft — sponsored by organized labor, authored by the state's single most powerful legislator, and supported by the California Medical Association, the trade association for the state's physicians.

Cohn's bill benefits from Bodaken's commitment. The Blue Shield of California Foundation has hired Kenneth E. Thorpe, a key member of former President Bill Clinton's health care reform team, to draft the bill's benefits package and financing options. It, too, sports a strong supporting cast which includes the California Healthcare Association, a co-sponsor of the bill, Kaiser Permanente California and CMA. However, consumer and labor organizations question the plan's mandate that individuals purchase insurance, saying that low-income workers cannot afford to buy coverage.

Frommer's bill seeks to resolve some of the employer issues by providing subsidies to small business owners, allowing them to participate in

Health access /status in low income children and adults

	Percent with no usual source of care		Percent in fair or poor health	
State	**children**	**adults**	**children**	**adults**
Texas	14.4	27.5	11.7	27.0
California	13.7	26.8	11.0	26.6
Mississippi	11.0	15.2	12.9	28.8
New Jersey	9.1	20.4	11.0	27.3
Florida	9.1	22.6	7.6	26.8
Alabama	9.0	17.3	8.1	27.9
Colorado	9.0	19.7	9.3	16.1
Washington	8.1	22.0	8.0	20.3
New York	7.8	16.5	9.7	27.4
Michigan	7.7	14.8	7.9	23.5
Wisconsin	6.4	16.0	6.0	15.9
Minnesota	3.8	12.0	4.9	12.8
Massachusetts	3.6	14.6	7.0	21.3
BALANCE OF STATES	6.9	16.6	5.7	21.8

Source: Urban Institute's tabulations of the National Survey of America's Families, 1999

the Healthy Families program, which offers lower costs than private insurance. Currently, 97 percent of state employers with 50 or more employees already offer health insurance to their employees, while only about 45 percent of those with fewer than 50 workers do so.

Richman's bill would extend government coverage to 2.3 million working poor adults who are currently uninsured. It has garnered support from the CMA but also opposition from consumer organizations because it calls for reductions in state funding of safety-net providers. Also, a new federal waiver to extend benefits to childless adults could be hard to come by. And, should Richman decide to go with the tax change he is considering — which would replace the current tax on plans' corporate profits with a tax on each plan's gross premiums — he likely would run afoul of the California Chamber, the health plan trade association as well as Kaiser Permanente and Blue Shield, the state's two major non-profit health plans, which would face new multi-million dollar tax bills.

Regardless of the political battles that are sure to take place, those involved in the state's health care system offered a sober admonishment to legislators.

"My sense is that it's about as bad as it can get. No wait, I shouldn't say that. It can always get worse, and it probably will," said E. Richard Brown, director of the UCLA Center for Health Policy Research.

"We always seem to limp along, but remember this," said Brown, who is advising the Burton camp. "At its worst state of economic decline, Brazil continued to limp along, but what happened — and this is the fear many of us have — was that the disparities between rich and poor, in terms of access to medical care, became a glaring social injustice. And this was unacceptable to a majority of the population."

Stephen Robitaille is a freelance writer on health care issues in the Bay Area. Comments may be sent to **comments@californiajournal.com.**

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– April Salinas, RN
AS(n) graduate
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THE HIGH COST

Dario Frommer sees California's health care system as a George Clooney movie — the one involving a sinking ship with no survivors.

One man's opinions about the complex topic wouldn't matter much, of course, except that Frommer just happens to be chairman of the Legislature's Assembly Health Committee. And he isn't gazing into a crystal ball making fuzzy predictions; he's actually watching the system take on water.

Surveying the troubled health care arena, Frommer (D-Glendale) doesn't mince words. A "perfect storm" of factors is converging to pound patients' pocketbooks, he said. And despite decades of efforts to contain health care costs, some employers, community health clinics, public hospitals and insurance companies won't be able to escape the financial squeeze that has already put some out of business.

We've learned how new treatments, remedies and technologies allow us to live longer and healthier lives. But we haven't learned how to pay for them. Now, rising health costs threaten to overwhelm business and consumers.

By Julie Sevrens Lyons

"It's grim out there," said Frommer, pointing to rapidly rising insurance premiums, the closure of emergency rooms across the state, increasing numbers of the uninsured, HMO failures and a massive budget deficit that threatens to undermine the overburdened public health care system. "My concern is the system may crash."

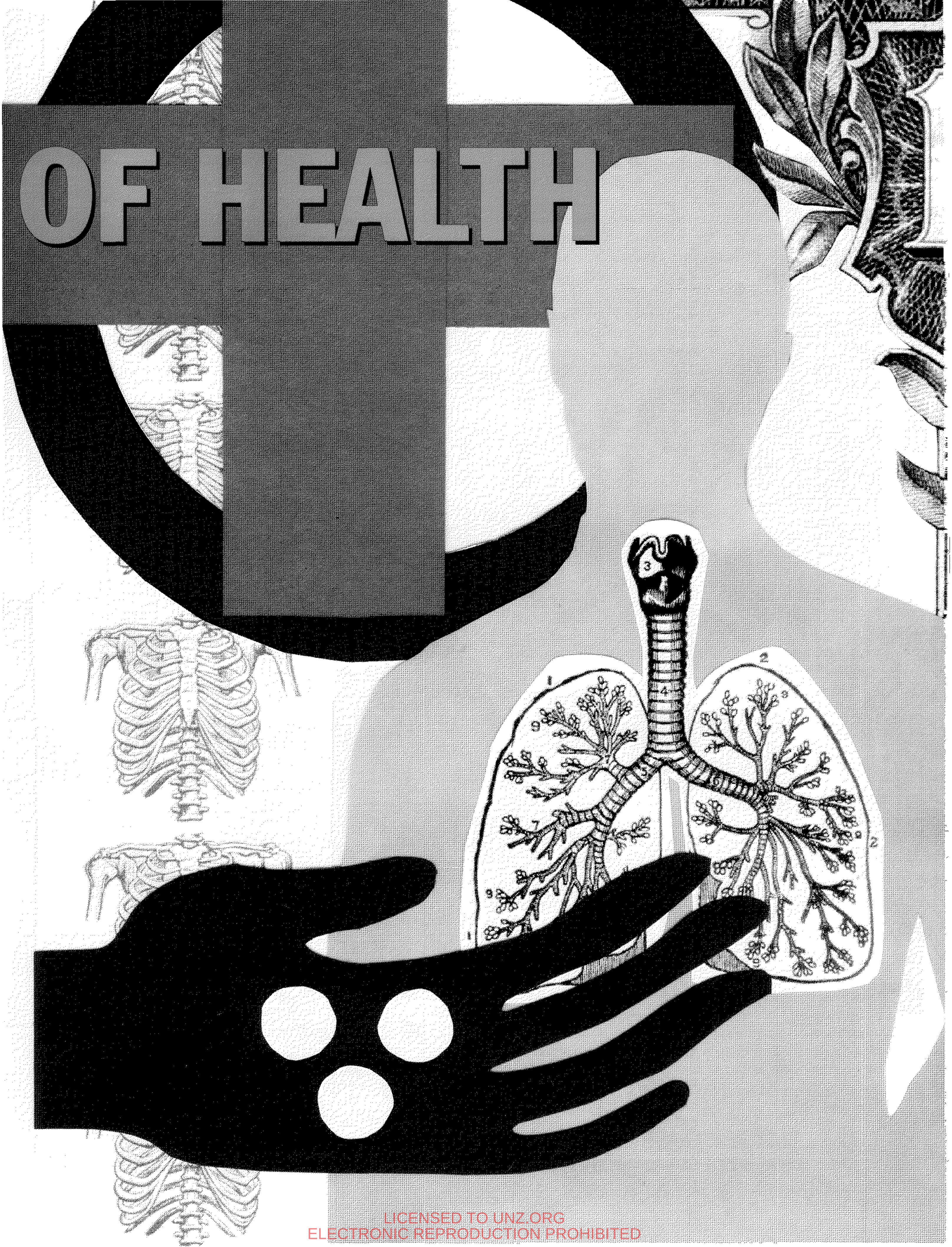
It's a sentiment that is increasingly echoed from the state Capitol to physician waiting rooms, and you don't have to be a brilliant mathematician to understand it all.

Even though science has yielded innovative — and costly — medical treatments capable of extending lives, no one has yet come up with a successful system to pay for them. And short of an entire upheaval of the current system, economists are perplexed about how to keep health care costs from spiraling even more out of control.

"There aren't good ideas out there, and there isn't a commitment to find them," said a frustrated Gary Claxton, director of Kaiser Family Foundation's health care marketplace project.

Considering U.S. spending on health care topped $1.4 trillion in 2001, this is no trivial matter. Experts predict that health care will account for nearly 20

OF HEALTH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percent of America's gross domestic product by 2012. Already, it has topped 14 percent of the GDP. Although they briefly slowed in the 1990s, health care costs have been steadily rising again, growing 8.7 percent between 2000 and 2001, according to a federal government report.

Managed care was supposed to prevent that, with insurance companies controlling medical spending and keeping the costs to patients relatively low. This worked for many years. But consumers bristled at the restrictions insurers put in place. Doctors and hospitals resented that a patient's treatment options were decided not just by their own medical opinions but also by those of corporate bean counters.

And so, amid the backlash, health insurers began to loosen their controls, providing patients with more choices, and with more financial responsibility. What this all translates into is pecuniary pain — and lots of it — for patients and employers who help subsidize the cost of their workers' health insurance.

Lacking other solutions to help keep the accounting books balanced, hospitals, doctors and HMOs have been increasingly turning to consumers and asking them to pony up more for their personal care. But not all Californians are paying.

One in five Californians — about 6.3 million people — had no health insurance in 2000, according to the UCLA Center for Health Policy Research. More than 40 percent cited unaffordable premiums as the primary reason for their lack of insurance.

Odds are that every time you go to your doctor or need prescription drugs this year, you'll pay much more in the way of co-payments. Monthly insurance premiums are also rising, and so are annual deductibles, which require patients to spend a set amount — usually in the hundreds or thousands of dollars — before their insurance starts to kick in.

"Health care is going to become a bigger part of the family household budget. Consumers better be prepared for that," warned Glenn Melnick, director of the Center for Health Policy and Management at the University of Southern California.

But for all the increases in costs, patients are not assured they will receive better care or even the cutting-edge treatments their doctors may recommend. This is especially being felt in the area of prescription drugs, with many insurers directing patients to use only certain drugs they can get good deals on from pharmaceutical companies. Most Medicare HMOs in the state are now flat-out denying coverage of brand-name medications altogether.

In 2002, for the first time in four years, in fact, more workers experienced a reduction in health benefits than saw an increase in benefits, according to a survey by the Kaiser Family Foundation. This shift is only expected to continue, as the weakened economy and competitive job market has allowed employers to offer less expensive, less comprehensive health insurance to prospective new employees.

And that's if they even provide health care coverage any more.

In 2002, only 61 percent of all small businesses offered health insurance to their employees, down from 67 percent in 2000, the Kaiser Family Foundation determined. Analysts believe this is evidence of significant erosion in coverage, and are waiting to see if the trend has worsened by year's end.

Who's to blame? Insurance fat cats? Greedy doctors? Demanding patients? The uninsured?

"It's easy to point fingers at one group or another," Frommer said. "The reality is this is a system with many moving parts."

Just about every interest has played some role in the upward trajectory of health care costs. It's just that some have had bigger parts than others.

Prescription drugs and hospitals are the first things that most health economists point to when asked to name the greatest culprits. Both are greatly influenced by technology and the increased capabilities of medicine, which, of course, carry with them a pretty hefty price tag.

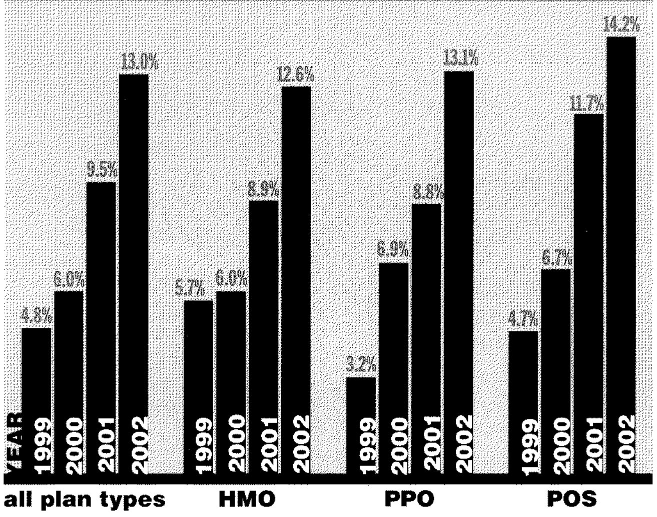
When it comes to drugs, a portion of the high costs is due to drug-makers' global marketing campaigns, which encourage patients to "ask your doctor" about arthritis medication X or allergy drug Y. And many of the manufacturers have set in place comfortable profit margins, too.

But research and development of new drugs is also very expensive, up to $1 billion per medication, and drug makers have to recoup their costs when an experimental drug doesn't pan out. The solution is charging more for the drugs that do.

"Pharmaceuticals allow people to feel better and keep them out of the hospital. That's not a bad thing," said David Shactman, a senior research associate for the Schneider Institute for Health Policy at Brandeis University. "But they're a good cost."

Indeed, the nation spent $140.6 billion on prescription

Increases in health insurance premiums



Source: Kaiser/HRET Health Benefits Survey, 2000, 2001, 2002 drugs in 2001, according to the Centers for Medicare and Medicaid Services. An analysis by the accounting firm PricewaterhouseCoopers found that prescription drugs and similar medical advances contributed to 22 percent of the country's health cost increases.

Julia Newcomb doesn't care much about statistics or health policy, however. She just knows that the anti-psychotic medication her mother needs to take every day costs about $10 per pill, a cost that isn't covered by Medicare.

Newcomb's mother, Toyoko Yukawa, has purchased a private Medicare HMO plan, paying monthly premiums so that she can get some prescription drug coverage. But her plan has limits on how much patients can spend on drugs. And Yukawa, 67, who also takes a heart medication, simply spends too much.

The trouble is, there are no cheaper generic drugs that work well for Yukawa's schizophrenia. And she doesn't dare go without.

The Morgan Hill senior is in a tough spot, her daughter said.

"When you're on a fixed income, $300 a month just for one drug, it adds up really quickly," Newcomb said. "There must be some other solution."

Politicians have been bandying about various proposals aimed at providing seniors with drug coverage, lowering hospital fees, and reducing the number of the uninsured — which has surpassed more than 40 million people nationwide. But there are no quick fixes. And budget deficits make major state and federal reforms unrealistic right now.

For his part, Frommer has been stepping up pressure on hospitals, reviewing the fees they charge and determining whether they've been overbilling the government. Last winter, Frommer held hearings into allegations that Tenet Healthcare Corporation, the nation's second largest hospital chain, and other hospitals took advantage of public insurance plans. In January, Tenet pledged to alter some of its billing practices and said it would reduce the prices it charges uninsured patients.

But Frommer is pushing for hospitals to disclose its fees, in January introducing two bills that would require medical centers to make their price lists public, and share their success and failure rates. If consumers are going to share more of the financial responsibility for their health care, Frommer said, they should at least know what their dollars are buying them.

"If you go to get your car fixed by your mechanic, they have to give you a price list and a written estimate," he said. But as it stands now, a hospital "is under no obligation to."

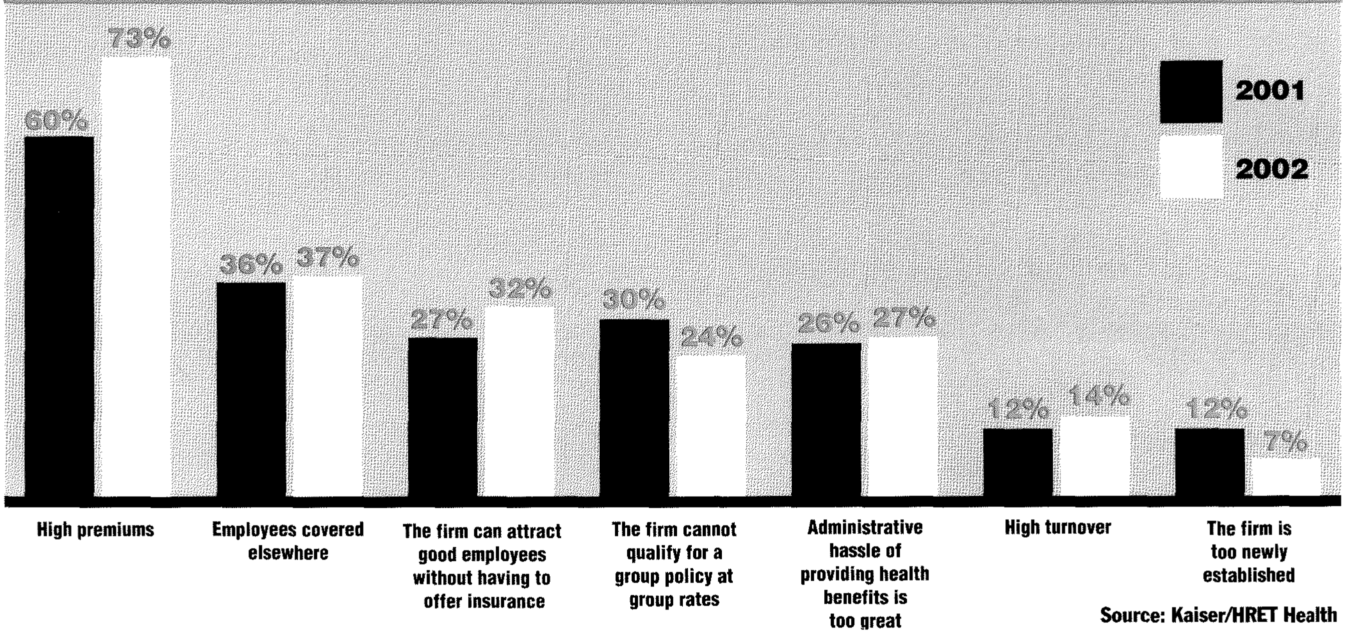
Frommer's bills, AB 1627 and AB 1629, still await their first hearing before his committee. But Frommer concedes that saving the battered system is going to take more than that. With so many forces coming together to sink it, reform will require a multi-pronged approach. And perhaps a little luck.

That's because Frommer keeps thinking about "The Perfect Storm," a real-life story of the misfortunes of six sword fisherman caught up in a hurricane, cyclone and cold front, that was immortalized by Hollywood in 2000.

"Every bad thing that could go wrong happened to those poor fishermen," Frommer said. "I feel we're in the same situation with health care in America."

Julie Sevrens Lyons is a staff writer for the San Jose Mercury News, *where she covers health issues. Comments may be sent to* **comments@californiajournal.com**.

Reasons why employers say they do not offer health coverage



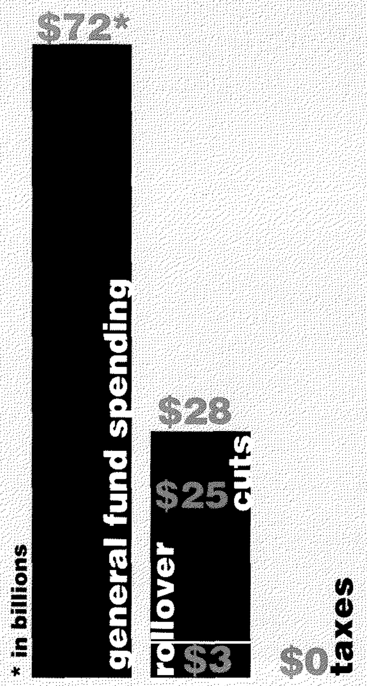
Source: Kaiser/HRET Health Benefits Survey, 2001, 2002

THREE VISONS. ONE BUDGET.

Two weeks after his re-election last November, Governor Gray Davis sounded an alarm about the growing budget deficit. He ordered a special session of the Legislature to quickly cut state spending. "Every day you wait, there are X numbers of dollars you can't recapture," he said. Nearly four months later, lawmakers finally approved a package of cuts far short of Davis' request. Meanwhile, barely three months remain until the Legislature is supposed to resolve a deficit of more than $26 billion and pass the next budget. Wall Street was so unimpressed that it cited the lack of consensus as one reason for downgrading the state bond rating. And there appeared to be three distinct camps — Davis, Democratic legislators and the Republicans. GOP lawmakers united behind a no-tax pledge, and Senate Republicans issued a budget plan that orders deep cuts and a carry-over deficit. The delay, however, is about Davis-Democrat differences. By February 3, Democrats voted to nearly triple the vehicle license fee, despite the governor's opposition. When Davis threatened a veto, budget progress stalled. Finally, in mid-March, attorneys agreed on a legal interpretation that allows the vehicle license fee to rise without action by the governor or the Legislature. With that, legislative Democrats passed their spending cuts.

JUNE
MAY 2003
APRIL 2003

MID MONTH: Governor is scheduled to present his revised budget for 2003-04 fiscal year.



Republican plan

Feb. 26, Senate Republicans backed their no-tax pledge with a budget plan of their own. It adds a 7% across-the-board reduction to the Davis cuts. It also allows a $3 billion debt to be paid next year.

003

JUNE 15: Deadline for Legislature to pass the fiscal year budget.

JUNE 30: Deadline for governor to sign fiscal year budget.

DECEMBER 2002

DEC. 6: Gov. Davis proposes $10.2 billion in cuts over the next 18 months

DEC. 9: Lawmakers convene emergency session on budget, which Davis called for Nov. 21. Davis says deficit exceeds $20 billion.

DEC 18: Governor announces that deficit prediction is a record $35 bill.

JANUARY 2003

JAN.10: Davis issues his budget proposal for the 2003-04 fiscal year beginning July 1. He recommends $8 billion in new revenue and $20 billion in spending cuts.

JAN. 13: Senate Budget Committee meets. Assembly Democrats meet the following day. Both discuss vehicle fee increase despite Davis' objection.

JAN. 15: Legislative Analyst's Office says Davis overestimated the budget deficit by $8.5 billion.

JAN. 21: Senate Democrats oppose Davis' cuts to cities and support higher vehicle license fee.

JAN. 28: Assembly Democrats vote to increase vehicle license fee, fund local governments.

FEBRUARY 2003

FEB. 3: Senate OKs vehicle license fee increase. Davis announces the next day that he will veto the increase.

FEB. 11: Credit agency cites gridlock as it downgrades California bond rating from "stable" to "negative."

FEB. 24: Senate approves $3.5 billion in cuts. Assembly still debating.

FEB. 26: Senate Republicans issue plan with no tax hikes. It recommends deficit spending instead of balanced budget.

MARCH 2003

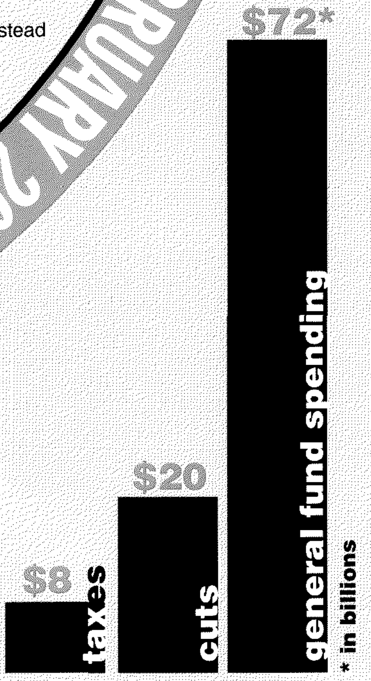
MAR. 6: Senate Democrats suggest a month of study is needed on Davis' mid-year budget cuts.

March 10: Lawyers for the governor and state controller issue agreement that allows vehicle license fee to grow without legislative or executive action if state funds are limited. Assembly Democrats pass $3 billion in spending cuts.

MAR. 18: Davis signs bill authorizing $3.3 billion in mid-year cuts.

Davis plan

Davis called for $8.2 billion in new taxes on cigarettes, sales and income. He also ordered $21 billion in spending cuts hitting schools, homeless, health care, welfare and local government. Legislative Democrats instead raised vehicle fees but have not issued a budget plan.



"Nobody wants to have their hands on it. Everybody is looking out for their best political interests and not the best interest of the state."

— Assemblywoman Sarah Reyes (D-Fresno) 3/3

"We are going to get all of the facts because we are being asked to cut billions of dollars that affect people's lives. The Republicans don't vote for budgets anyway, so what's their beef?"

— Senator President Pro Tem John Burton (D-San Francisco) 3/7

"I believe it's foolhardy to give up. . .It's entirely possible that the Republicans in return for enacting structural reform that they favor, might allow some. . .in their party to support some tax increases."

— Governor Gray Davis, 2/4

"Given some of the lines in the sand that our colleagues on the other side of the aisle have drawn, we need to consider a number of tracks to ensure a balanced solution to the problem. A ballot measure is one of them."

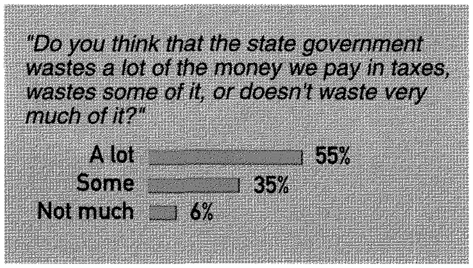
— Assemblymember Darrell Steinberg (D-Sacramento) 2/16

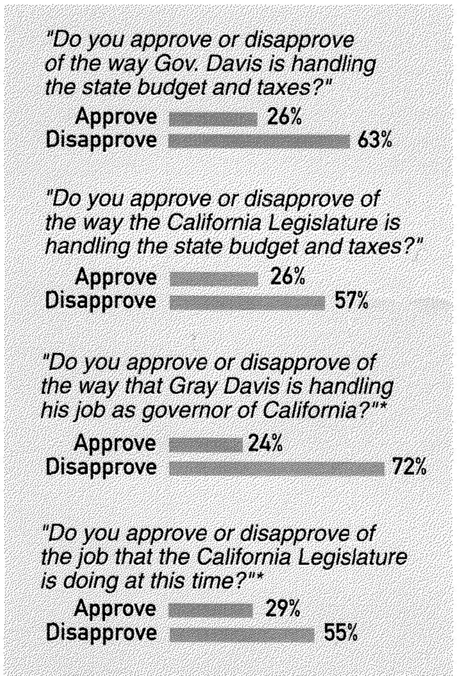
Sources: Los Angeles Times, Sacramento Bee, Orange County Register, Contra Costa Times

Crisis in confidence

Californians unhappy with budget performance

As lawmakers struggle to resolve a record budget deficit — just two years after an energy crisis — polls show state leaders have lost the confidence of most adults. Californians are more than twice as likely to disapprove of the way their governor or legislators are handling budget matters. For Gov. Gray Davis, the overall approval rating dropped 20 points from last October. Today, just a third of adults and a quarter of likely voters approve of his job overall. Only 19% of adults who follow state news closely approve Davis on the budget. Cynicism is also reflected in the fact that more than half of adults think lawmakers waste "a lot" of money.


"Do you think that the state government wastes a lot of the money we pay in taxes, wastes some of it, or doesn't waste very much of it?"


"Do you approve or disapprove of the way Gov. Davis is handling the state budget and taxes?"

"Do you approve or disapprove of the way the California Legislature is handling the state budget and taxes?"

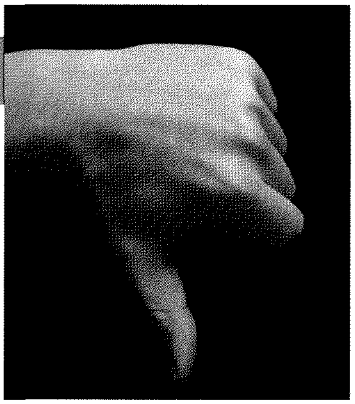
*"Do you approve or disapprove of the way that Gray Davis is handling his job as governor of California?"**

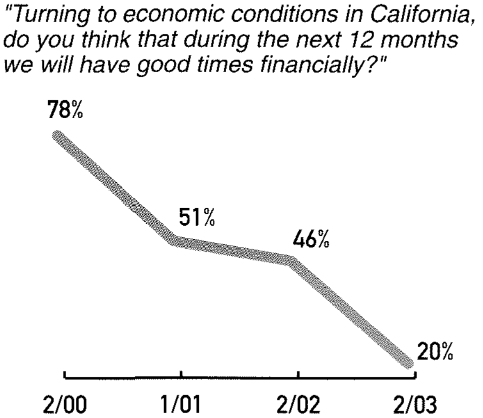
*"Do you approve or disapprove of the job that the California Legislature is doing at this time?"**

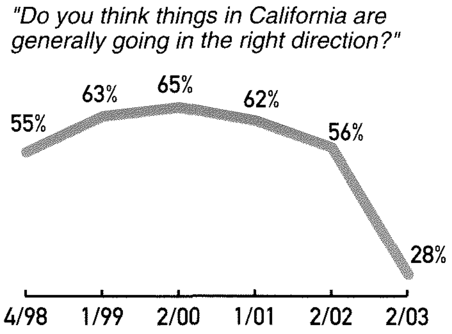
*The last two surveys in this box are from "likely voters." The other surveys on these pages are from adult Californians.

Gloomy outlook

California optimism outlasted the 2001 terrorist attack, but it has plummeted in recent months. Today, just 1-in-5 Californians see good times ahead for the economy, and Bay Area adults are the most pessimistic. Nearly two-thirds of the population also believes the state is headed in the wrong direction, a finding that increases with age, income and education.


Californians express disapproval


"Turning to economic conditions in California, do you think that during the next 12 months we will have good times financially?"

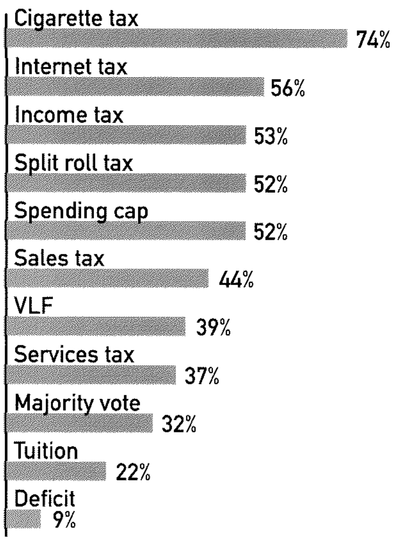

"Do you think things in California are generally going in the right direction?"

Raise the cigarette tax?

Budget solutions

The survey shows a sharp difference between the budget solutions favored by voters and those under consideration by lawmakers. Higher college tuitions, car taxes, sales taxes and deficit spending are among the choices under active consideration by lawmakers even though they are opposed by majorities of California adults. Meanwhile, even though Californians support a cigarette tax, a split roll property tax and an Internet sales tax, those ideas have not been proposed yet at the Capitol.

"Do you favor raising money by increasing the following..?"



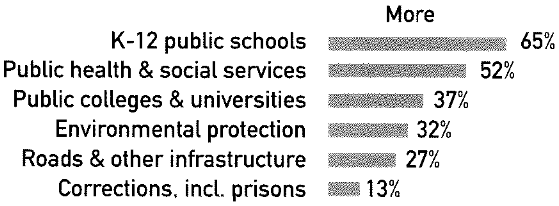
- **Cigarette tax:** Raise the state excise tax on cigarettes to $1.97 per pack.
- **Internet tax:** Require companies selling on the Internet to collect sales taxes.
- **Income tax:** Raise tax rate for top 2-3% of wage earners to 10 or 11%.
- **Split Roll tax:** Remove Proposition 13's limit on property tax assessments for commercial properties only.
- **Spending cap:** A constitutional amendment to limit the amount of increase in annual state spending.
- **Sales tax:** Raise state sales tax from 6% to 7%.
- **VLF tax:** Raise vehicle license fees paid annually to register vehicles.
- **Services tax:** Extend sales tax to services such as auto repair, haircuts etc.
- **Majority vote:** Allow local special taxes to pass with a majority vote instead of current two-thirds requirement.
- **Tuition:** Raising student fees at public colleges and universities.
- **Deficit spending:** Is it okay to run a deficit?

Top priority: Schools

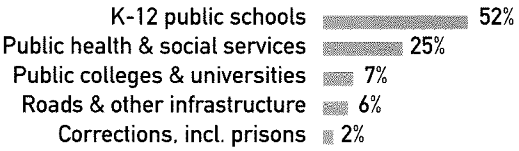
By a clear consensus, Californians believe education is the state's top priority. In fact, nearly two-thirds of adults believe the state should spend even more that it does on grade schools, although the idea is much more popular among Democrats than Republicans. Public health and social spending — where much of the state budget cuts are aimed — is the second priority for most Californians and prisons rank last.

School spending a high priority

"Do you think the state government should spend more money than it does now, the same amount as now, or less money than now on . . ?"



"Which of the following should be the number-one priority for public spending in the state budget?"



The Public Policy Institute of California Statewide Survey, directed by Mark Baldassare, contacted 2,004 California adults 2/6-2/17. Its sample error is +/- 2% overall and 3% for the 988 likely voters.

PPIC STATEWIDE SURVEY

> *"We are on the brink of bankruptcy, and we are playing violin while the state government is burning."*
> **— Assemblyman Ray Haynes (R-Murrieta), 3/7**

> *"Every family knows that if your revenue drops you have to cut expenditures. There's not a family that can't cut its budget 7 percent."*
> **— Senate Republican Leader Jim Brulte (R-Rancho Cucamonga), 2/28**

> *"A two-year plan is going to be twice as bad as a one-year plan. ... What it does is postpone the tax burden. Somebody's going to have to pay that borrowing at some point in the future."*
> **— Edward Leamer, Director of UCLA Anderson Forecast, 2/17**

> *"I believe it's a mistake to sign legislation to increase the vehicle license fee now. I do, however, have an obligation to implement laws on the books whether I like them or not."*
> **— Governor Davis, 3/3**

> *"Because this is a complex legal issue and because some people have said they will sue, we're trying to come up with a legal opinion that is absolutely beyond challenge."*
> **— State Controller Steve Wesley, 3/7**

Sources: Los Angeles Times, Sacramento Bee, Orange County Register, Contra Costa Times

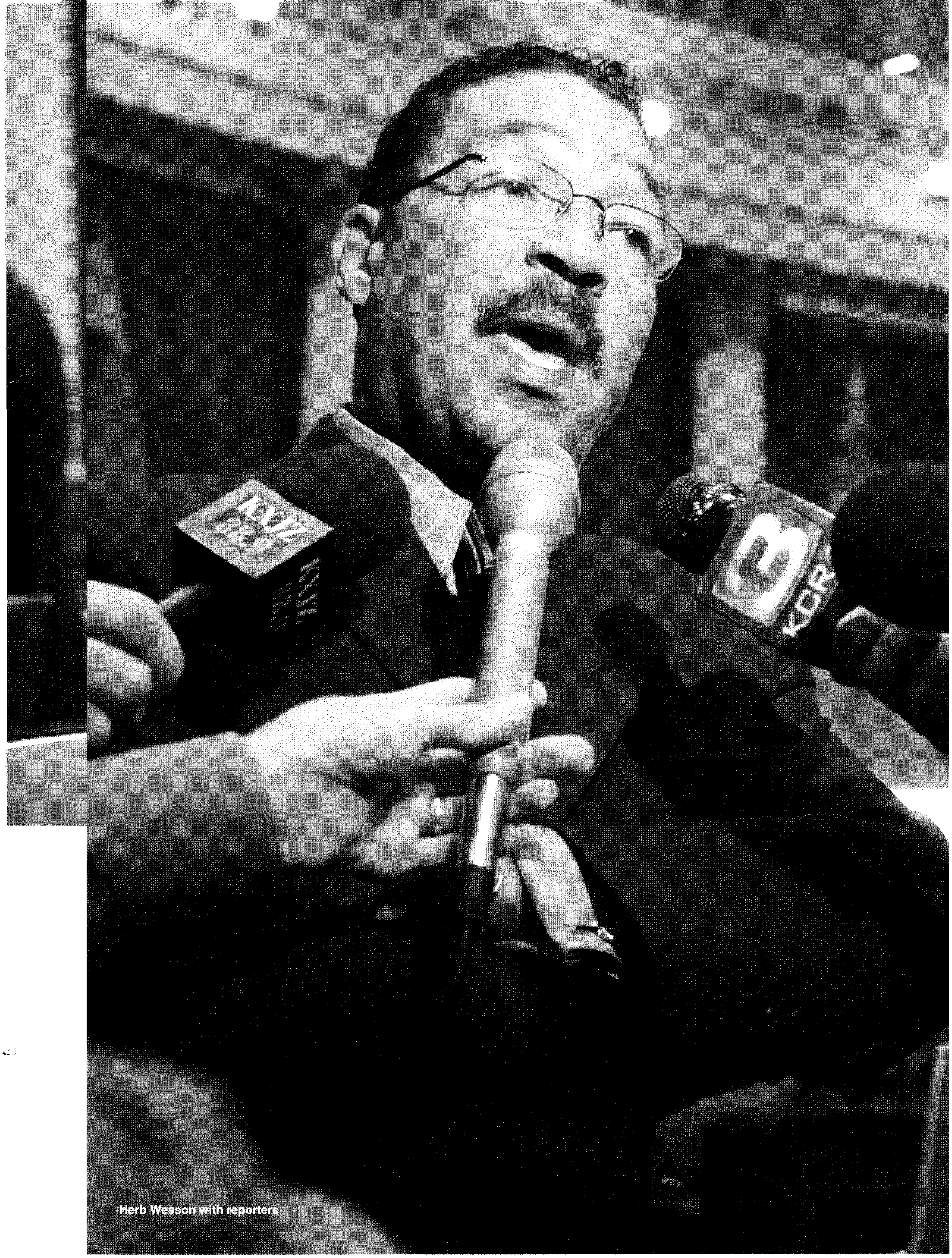
Caucus consultant Havice

Sally Havice on the Assembly floor

Last year, when Sally Havice was a swing vote on an historic environmental bill, Assembly Speaker Herb Wesson told a reporter he "might be able to assist [her] in the future." Today, Havice's lucrative job as a consultant to Wesson is raising questions.

By Jim Evans

Some called it Herb Wesson's first real test as Assembly speaker. Members of his Democratic caucus were defecting from a bill to regulate auto emissions — AB 1493 — that was anticipated to be the Legislature's landmark achievement of the year. Some colleagues privately doubted whether Wesson could hold enough votes to pass the measure when the powerful oil and auto lobbies were waging a furious campaign to kill it.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Herb Wesson with reporters

Last December, Wesson also provided an $8,250-a-month consulting contract for former Republican Assemblyman Mike Briggs (R-Clovis). Briggs, who broke ranks with Republicans in 2001 and 2002 to vote with Democrats on the state budget, was hired by Wesson to consult on agricultural issues.

When the bill finally passed the Assembly last July by a single vote, a triumphant Wesson won credit in the media for an impressive leadership performance. Afterward, he was asked how he managed to win some of the swing lawmakers, including one, Sally Havice (D-Cerritos).

Asked by the *Los Angeles Times* how he picked up Havice's vote, Wesson noted that the Southern California lawmaker was termed out at the end of the year, and "I may be able to assist her in the future."

On the day after her Assembly career ended, Havice was hired for a $99,000-a-year consulting job with the Assembly Democratic caucus.

Several key Democratic lawmakers said recently that they were unaware of Havice's new assignment. And they suggested Havice's critical role in last year's vote on AB 1493 left the appearance that her new assignment was a reward for her support of the measure. For some, the impression of a payoff was also due to the fact that Havice was widely disliked by her Democratic colleagues and therefore not a likely candidate for a job advising Democrat lawmakers.

"I'm never surprised about political patronage in Sacramento, but this one really surprised me," said Senator Sheila Kuehl (D-Santa Monica), a former assemblywoman. "Sally never really participated in the caucus. And when you work with the caucus, you have to work for other people's efforts. She didn't do that."

Patricia Soto, spokesperson for Wesson, denied any connection between Havice's new job and her vote on AB 1493. Instead, Soto said Havice was hired as a consultant on education matters because she has experience as a former community college teacher and she served on the Assembly's Higher Education Committee.

"Former Assembly member Havice is working as a liaison to higher education and working in support of grants for safe schools," said Soto.

Havice, when asked by *California Journal* for a specific example of her duties, said she recently submitted a proposal to Wesson that calls for a study on whether elementary schools need more crossing guards. The former Cerritos lawmaker also rejected any notion that her consulting job was related to her vote in support of AB 1493. "Heavens no. I don't see a connection there at all," she said.

Officials said Havice was hired as a "principal consultant" to the Democratic caucus on December 2, 2002, one day after she was termed out of the Assembly seat she had held since 1996. But Soto could not offer additional details on Havice's job, which is a newly created position. It is unclear who Havice is assigned to communicate with in higher education or what kind of safe school programs are in need of grants. And Assemblywoman Jackie Goldberg (D-Los Angeles), chair of the Assembly Education Committee, said she was unaware that her caucus had hired Havice as an education consultant. Soto said detailed questions about Havice's job description should be answered by Jon Waldie, the Assembly's chief administrative officer. Waldie, however, directed the questions back to the speaker's office.

Wesson also denied any connection between Havice's job and her Assembly vote in a letter to *California*

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Journal last month from an attorney representing the speaker. The letter was prompted by a story about Havice's assignment that was published on the *California Journal* web site March 5.

"The story effectively charges the speaker with hiring former Assembly member Sally Havice in return for her vote on a global warming bill passed last July," said the letter from attorney Robin B. Johansen at the San Francisco firm of Remcho, Johansen and Purcell. "Nothing could be further from the truth."

The letter requested that *California Journal* issue a retraction for the article on its web site and stop plans for publishing a print version of the story in its April magazine. *Journal* editors declined the request, saying that the story accurately reflects an impression created by Havice's assignment.

The letter also said the *Journal* article "basically accuses [Havice and Wesson] of committing a felony," in part because the story quoted a section of the state Constitution that explains "any person who seeks to influence the vote or action of a member of the Legislature in the member's legislative capacity by bribery, promise of reward, intimidation, or other dishonest means, or a member of the Legislature so influenced, is guilty of a felony."

California Journal contacted Wesson's office following the web story publication and asked again for further clarification of Havice's duties. Wesson spokesperson Soto replied, "I gave you her title, and that hasn't changed."

The *California Journal* discovered Havice's new assignment when it requested salary records for all employees in the Legislature. Those records show that the Democratic caucus has 170 employees with a combined annual salary of $10.4 million. Havice is listed as one of 25 principal consultants, and she is the fourth highest paid of that group.

Democratic Assembly members said they had no knowledge of any deal between Havice and Wesson. But they also said the move was a surprise to them and that it had the appearance of a payoff.

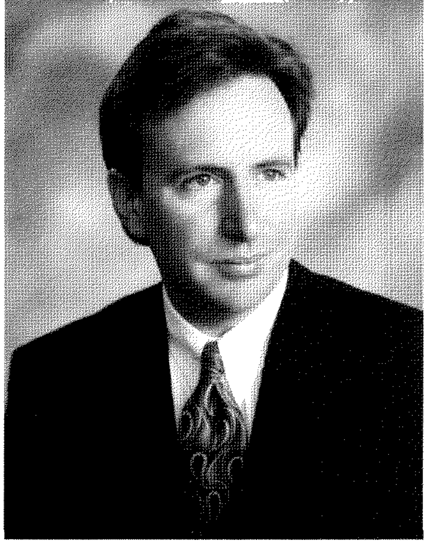
"In the worst-case scenario, it looks straight-up like $100,000 for [Havice's] vote on 1493," said one former Democratic Assembly member. "In the best case, it's what speakers do for former members."

Said another key Democrat: "A direct *quid pro quo* isn't right and, of course, this has that appearance. This kind of thing has always happened, but it's usually done very subtly and it's usually around the budget."

Goldberg, the education committee chairwoman, said she "didn't know" Havice was working on education issues for Wesson and the Democratic caucus. But she also defended the speaker. "The speaker has all sorts of policy people working for him, and [Havice] has a genuine interest in education," Goldberg said. "I'd be surprised if [Havice's] hire is directly related to her vote [on AB 1493]."

Republican Assembly leader Dave Cox (R-Fair Oaks) would not comment on Havice's appointment.

In recent months, Democratic leaders Wesson, Governor Gray Davis and Senate President pro Tempore John Burton (D-San Francisco) have appointed numerous political allies to state boards, drawing criticism from Republicans. Among the most notable hires were Burton's appointment of former prison guard union leader Don Novey to the California Unemployment Insurance Appeals Board, and Burton's appointment of Cheryl Peace, wife of Davis finance chief Steve Peace, to the Waste Management Board.



Former Republican Assemblyman Mike Briggs, now a paid Assembly consultant

Fork in the Road

The "California Promise," an accessible and affordable higher education available to anyone who has the desire and will to learn, is at a fork in the road. With disproportionate deep cuts and a steep fee increase, the budget proposes to downsize California's 108 community colleges. State officials estimate that between 150,000 and 200,000 students will be forced out of our state's community colleges.

For more information about what Californians are saying about the choice lawmakers will be making, visit: **www.keepthedoorsopen.org**.

California Community Colleges
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A message from the Community College League of California.

Wesson has appointed former colleagues to state boards as well — including ex-Assembly members Virginia Strom-Martin and Tom Calderon. Last December, Wesson also provided an $8,250-a-month consulting contract for former Republican Assemblyman Mike Briggs (R-Clovis). Briggs, who broke ranks with Republicans in 2001 and 2002 to vote with Democrats on the state budget, was hired by Wesson to consult on agricultural issues. At the same time, officials said Briggs also was working on a political consulting contract with the state Republican Party.

Some clean government advocates said that there's been an uptick in patronage appointments in the years since the California Legislature became term-limited.

"The need for patronage has been fueled by term limits," said Jim Knox, of California Common Cause. "With so many legislators termed out every year, it puts a premium on soft spots to land."

Havice, who lives in Southern California and works from the state office building in Los Angeles, was a controversial Assembly member who had strained relations with many of her Democratic colleagues. Havice gave a notorious 30-minute farewell speech to her fellow members last July in which she complained, "Every time I presented a bill in committee, members of both parties tried to take a piece of my political hide."

Last August Havice told *World* Magazine, a conservative Christian publication, that relations with her Democratic peers grew so acrimonious that when she authored bills, Democrats routinely strangled them in committee and that party leaders told her "it was going to be tough for me."

In 1999, Havice was one of eight Democrats who did not support a bill that would ban discrimination against homosexuals in K-12 schools that was authored by then-Assembly member Kuehl. After she voted against the measure, Havice told the magazine that Kuehl came to her office and said, "I'm going to get you." Kuehl denied she threatened Havice but did say she called her a coward.

In 2002, Havice ran for Congress but lost in the primary to Democrat Linda Sanchez. Havice had a hard time raising money from Democrats and was outspent easily by Sanchez, the sister of U.S. Representative Loretta Sanchez. Ultimately, Havice had to pump nearly $50,000 of her own money into the campaign. According to one Democratic lawmaker, Havice was "angry" because of the lack of support.

"There weren't a lot of people on board her campaign because she didn't make a lot of friends here, and she wasn't a strong member," said the lawmaker, who spoke on the condition of anonymity.

Jim Evans is California Journal *managing editor. Comments may be sent to* **comments@californiajournal.com.**

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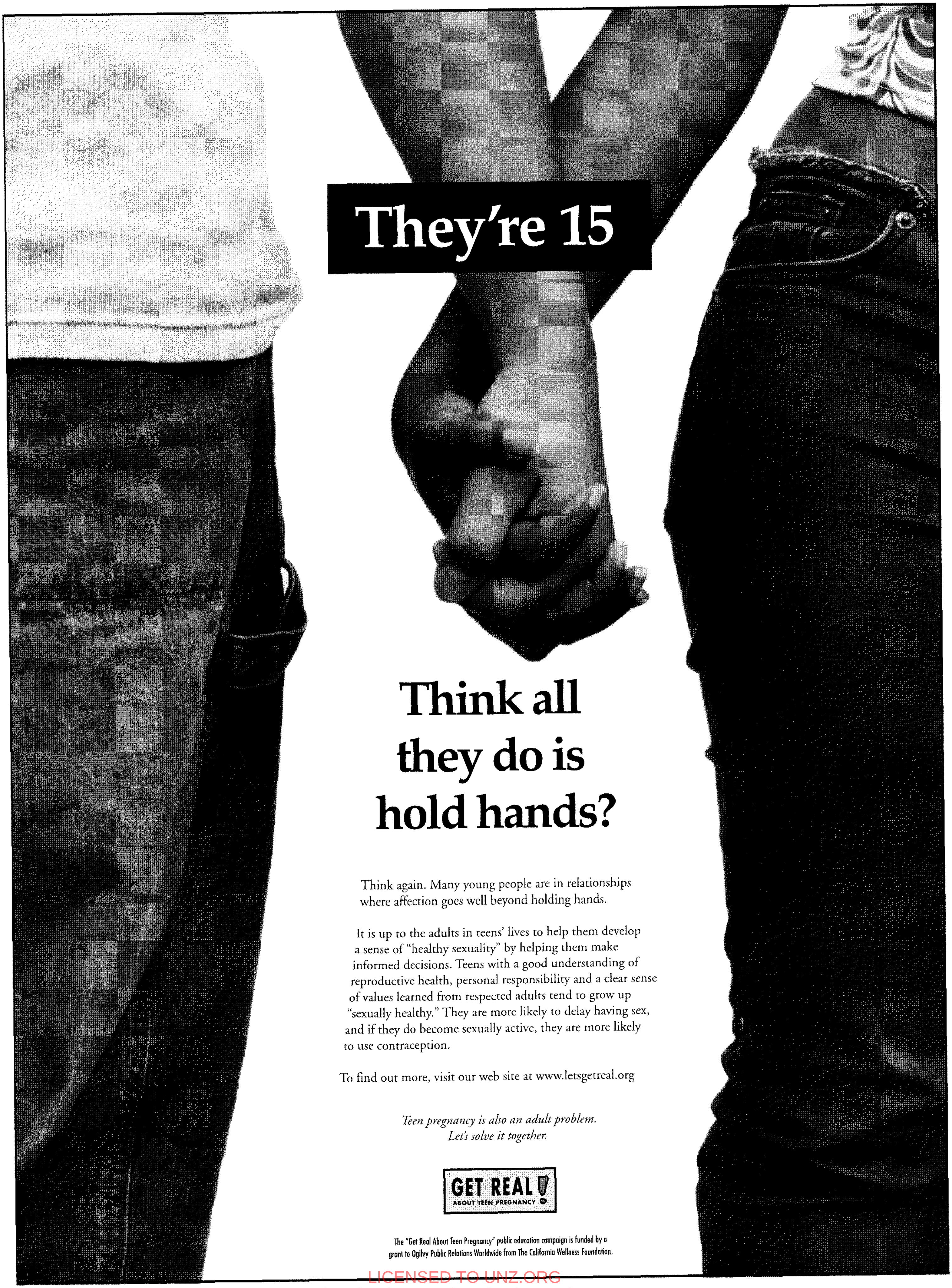

They're 15

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It is up to the adults in teens' lives to help them develop a sense of "healthy sexuality" by helping them make informed decisions. Teens with a good understanding of reproductive health, personal responsibility and a clear sense of values learned from respected adults tend to grow up "sexually healthy." They are more likely to delay having sex, and if they do become sexually active, they are more likely to use contraception.

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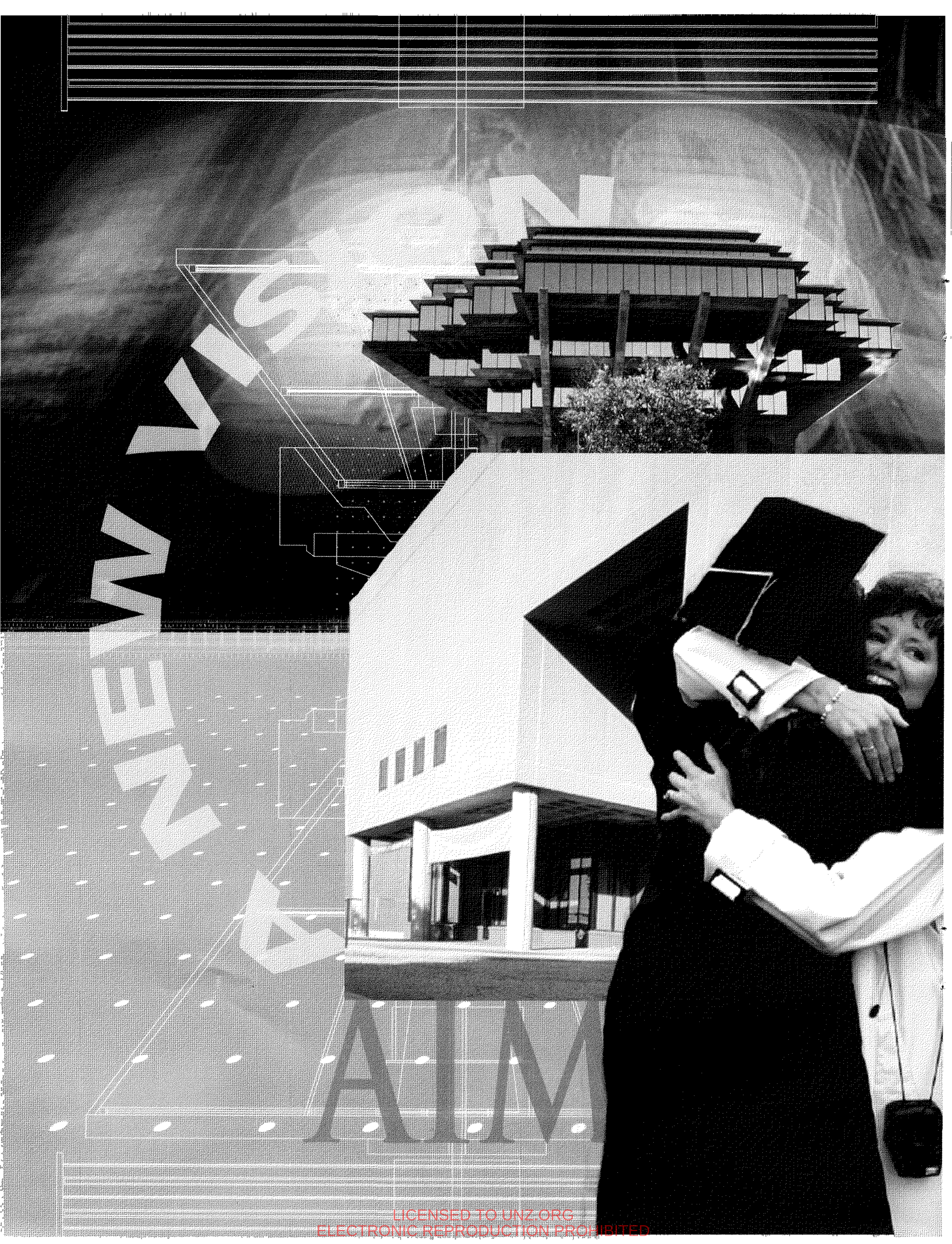
The "Get Real About Teen Pregnancy" public education campaign is funded by a grant to Ogilvy Public Relations Worldwide from The California Wellness Foundation.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WHAT IS THE MISSION?

Severe budget cuts aimed at California community colleges are forcing school administrators to choose among the multiple and evolving missions assigned to two-year campuses that fall somewhere between high school and a job.

By Anthony York

The new California economy — from the experiments of welfare reform to the possibilities of high technology — has forced a variety of new assignments on the state's community college campuses.

They were originally designed to offer a higher education to high school students who were not ready to plunge into a four-year university — either for financial or academic reasons. But over the last 20 years, they have also grown into "the single, largest workforce training institution" in California, said Brice Harris, chancellor of the Los Rios Community College District.

California's 108 two-year campuses are now relied on by private sectors like the high-tech industry to train workers. Community colleges are instrumental in helping California prepare enough nurses and school teachers to meet annual shortages, which have bordered on crippling. The campuses also provide adult education, and offer concurrent enrollment opportunities for high-school students, allowing them to receive advanced placement credit while attending high schools that may not have AP programs. It is an evolving and critical mission that will be under intense scrutiny this year as lawmakers attempt to resolve a budget deficit of at least $26 billion. Governor Gray Davis has proposed a huge cut in this year's community college budget — perhaps the largest in its history. And while the depth of the cut depends on final budget negotiations with the Legislature, the specter of serious reductions has prompted some in the education community to

"I think that if you cut funding to the colleges too going to do anymore. And the appropriate body to

KEEP THE DOORS OPEN!
Keep the Doors Open
Californians for Community Colleges

In one the the biggest marches the state Capitol has seen in years, 5,000 to 8,000 (numbers vary) march in protest over the budgets cuts proposed for the community colleges, 3/17/2003. Photo: Jon Akana

look closely at the community college system and struggle to prioritize its diverse missions.

Many of the decisions about what funding to cut will be made at the local level by individual community college districts. But lawmakers and educators alike worry that this year, because of the depth of the cuts being discussed, campuses will be forced to choose between programs that go to the very core of what community colleges are supposed to provide.

According to the Department of Finance, the community college system will serve the equivalent of 1,072,000 full-time students in the fiscal year that begins in July. In his January budget, Davis proposed a $404 million cut in the system's $6.1 billion budget. Administrators say between proposed cuts in Davis' budget, and property tax shortfalls that will not be back-filled by the state, the system could face up to a 6.5 percent cut in funding this year. Davis is asking students to pick up some of the shortfall, proposing a $13 per unit spike — from $11 to $24 — that will generate an additional $149 million in revenue to help offset the budget cuts. The fee hikes will reduce access to the campuses for poor students, with Davis banking on "short-term attrition" saving the state an additional $215 million.

Even with the fee hikes, state officials say California will continue to have the lowest community college costs in the nation. Two years ago, in the most recent national comparison, California fees were less than half that of the next lowest state, New Mexico.

The governor's office says Davis' proposed cuts in the community college budget should not affect the school's basic missions. "The expectation is that the individual districts will set priorities to meet the core needs," said Ann Bancroft, spokeswoman for the Department of Education. "Com-

much, then somebody has to decide what you're not do that is the governor and the Legislature."
— Los Rios Community College Chancellor Brice Harris

munity colleges have several missions, but the primary missions of preparing students for the workplace and four-year transfers should be protected."

But Harris, chancellor of the Los Rios Community College District, says the campuses are on the verge of being asked to do too much with too little. "I think that if you cut funding to the colleges too much, then somebody has to decide what you're not going to do anymore," Harris says. "And the appropriate body to do that is the governor and the Legislature."

Limited enrollment

Sierra College President Kevin Ramirez called Davis' budget "the most devastating, unfair, and unjust treatment of the community college system that I have personally seen" in 32 years as an educator. He says Davis' proposed cuts do more than tinker around the edges — they directly impact the community colleges' ability to help students transfer to four-year colleges and, perhaps more urgently, hinder their ability to help the state meet critical shortfalls in trained nurses, firefighters and teachers.

"There is simply not going to be as many students eligible to become nurses, eligible to become firefighters, eligible enough to become policemen," he says. "You will notice that these programs will become very limited and limit the number of people that will come out of these programs."

While higher fees are sure to limit college enrollments, and force cuts in classes, the governor's budget also outlines a series of cuts to specific programs, including programs aimed at helping minority students, programs for disabled students and money for teacher and reading development. One of the areas targeted is the concurrent enrollment program, through which high school students can take classes at a local community college campus that are not offered at their own school. The program is used both to give students advanced placement credit for academic subjects and to provide some remedial assistance to students for whom there is a need.

Diana Fuentes-Michel, vice chancellor for government relations for the community college system, says this year's budget cuts are forcing local districts to take a look at some of their concurrent enrollment programs. "I think you're going to get much more scrutiny about the concurrent enrollment debate and whether that is a priority," she said. "The governor has said that advanced placement is a priority, but to what degree do we continue to provide those services? Some of the programs for at-risk kids are also getting a look."

Bancroft said the governor's proposed cuts to concurrent enrollment programs, to the tune of $80 million, are meant to stop "abuses" in the system. "You have things like football practice being called a class," she said. "Districts are in a position to look at the programs that are important, that we like to provide. But in this kind of year, you might not be able to fund certain programs like recreation or enrichment kinds of courses."

But Fuentes-Michel says that if the governor's budget is adopted, it will force the community colleges to do some soul searching. "If the cuts are at that level, it's going to raise

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Listening to protest speakers on the Capitol steps, 3/17/2003. Photo: Jon Akana

questions about enrollment priorities. You're talking about a significant reduction to funding to the colleges now, on top of having a fee increase."

One Assembly member, Higher Education Chairwoman Carol Liu (D-La Cañada-Flintridge), wants to phase in the fee hikes. While the governor's budget raises fees from $11 to $24 per unit, Liu wants to phase in a $14 increase over three years. Liu's proposal, which is still being negotiated in committee, would also propose an immediate hike to $25 per unit for students who already have a bachelors degree.

Fundamental questions

If there is a silver lining in the bleak budget forecast, Liu says, it is that these cuts will promote a larger discussion about the roll of the community college system. "I'm really interested in trying to better articulate and streamline the system, but we're dealing with multi-layers of institutional bureaucracy that we've created. To make change, to get people to stop and look at what we're doing, is really difficult."

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But Liu says members of her committee are beginning to ask fundamental questions about the system. "Are we duplicating services that we need to streamline? Are we asking the right questions? It's forcing all of us to rethink what we're doing," she says. "It really forces us to look at how we can do it better. We're just starting this conversation. I think it's healthy, but there's going to be a lot of pain."

Liu and others are looking into more basic structural reforms, like changing the way community colleges are funded. The campuses are funded more like elementary schools than the state's two public university systems, and some are saying it is time for that to change. Community colleges fall under the Proposition 98 budget guarantees, but they are often the first to feel the pinch in tough budget times because they have to stand in line behind elementary and secondary schools.

"In the current system, community colleges are pit against K-12," Liu says. "It's basically a zero-sum game. To put more in community colleges, you have to take it out of K-12. If you don't want to cut them, then you have to cut K-12. It sets up a very undesirable relationship."

If the community college system is behind K-12 in the education budget funding, it also claims a lower priority than the California State University or University of California systems, local educators say. Chancellor Harris bemoaned the "disparity" in this year's budget between the CSU and UC systems and the community colleges.

"They get about a 2.5 percent net increase and we're taking about a net 6 percent reduction in dollars. The disparity of the cuts is very difficult to understand," Harris says. "You want to bring an economy out of recession ... the single, largest workforce training institution is the 108 community colleges. So to hit them disproportionately hard, just doesn't make sense."

Liu and her committee are looking at plans to fund community colleges more like the UC and CSU systems. That would involve more centralization for the school's 108 campuses and local districts, but would also allow the colleges, like the UC and CSU systems, to retain the fees they collect, rather than have them go back into the state's general fund, as they do now. Liu says such a system would give the campuses more flexibility in managing budget cuts than they currently have, allowing individual schools with more power over their own financial destiny to set budgetary priorities.

But such discussions are long, involved and complex — problems Liu says are not easily solved in California's current political climate. "We're just starting this conversation. I'm sorry that many of us may never see a solution with term limits. We just don't have time to really think this one out and look at all the moving parts. I just hope there is someone who'll follow me who'll finish this project off."

Anthony York is a freelance writer formerly with Salon.com. Monica Lee contributed to this story. Comments may be sent to **comments@californiajournal.com.**

The money game

by Dana Wilkie

Protecting Americans from terrorism doesn't come cheaply. The price tag — for vaccines, equipment, emergency training, extra police — is upsetting governors, mayors, supervisors and anyone else forced these days to pay far more for protective measures than Washington will reimburse.

The high price of homeland security is just the latest illustration of an old problem: State and local politicians have for years complained about "unfunded mandates" — best translated as "really expensive rules that come with no money."

In the past few months, Washington, D.C., has become a revolving door for state and local politicians bent on convincing President George Bush to help pay not only for homeland security but for federal requirements like special education, Bush's "No Child Left Behind" act, and new voting laws. They use the predictable arguments: The "unfunded mandate" puts a drain on state and local budgets which, in turn, puts stress on public services that people have come to expect — safe roads, good schools, swift responses by police and firefighters.

> The Republican president made it clear that they'd best not look to Washington for help.

This year, states face combined deficits that could run as high as $67 billion. Governor Gray Davis is facing one that could exceed $34.6 billion over 17 months. It has cost California an extra $500 million just to help protect its citizens from terrorists.

"Men and women [in public safety roles] have answered the call of double duty — defending us against both crime and terror," said Davis, who was among those meeting with Bush last February during a conference of the National Governors Association. "They've done it without question, without hesitation. But they should not have to do it without compensation."

Davis and friends should have stayed home. The Republican president made it clear that they'd best not look to Washington for help. He told them their best hope was his economic plan, because it would boost growth and tax revenue.

What are some of these "unfunded mandates?" According to the National Conference of State Legislatures:

- $11 billion this year for the federal government to pay 40 percent of the costs to educate children with disabilities. Right now, Washington pays only 17 percent.
- To implement Bush's "No Child Left Behind Act," which requires new testing in public schools, states need $5 billion more this year than the federal government plans to give them.
- States need an extra $1 billion this year and next to implement the "Help America Vote Act," to help replace outdated voting machines and to create better-computerized voter rolls.
- $3 billion to $4 billion in unreimbursed homeland security costs, such as enhancing the security of water systems and coordinating communication between those who respond to attack.

So far, that's upwards of $20 billion that states must spend this year and next — without help — on programs dictated by Washington. And by no means is that a comprehensive list of the requirements that Washington slaps on states.

This tendency to burden states with more than they can afford started in the 1980s, when a deficit-troubled federal government began passing its costs along to governors, who often did the same thing to cities and counties.

The White House paints itself more generously.

Bush insists he has given states the $3.5 billion he promised for homeland security measures. But when one wades through all the accounting tricks and public-safety cuts that Bush made this year, the new money going to states comes to barely $1 billion. Bush points out that in the coming fiscal year, he wants to increase the amount of federal grants he gives states by 9 percent. In fact, almost all this extra money is triggered by federal formulas, not by Bush's generosity.

Facing a $307 billion budget deficit of his own, Bush now wants to restructure government's largest social programs — Medicaid, Medicare and Social Security. He would cap federal funding in exchange for giving states more flexibility to run the programs as they like. Although the president's plan would give states extra Medicaid money in the first seven years, they would have to repay it later on.

In the parlance of federal budgeting, it is best to beware of the words "restructuring" and "flexibility." In the Bush administration, the terms have become code for "toss a federal program to the states, and see if they can pay for it."

Dana Wilkie is a Washington, D.C., correspondent for Copley Newspapers. *Comments may be sent to* **comments@californiajournal.com.**

NO MIDDLE GROUND

LIBERAL

100-90

Fortney H. "Pete" Stark, D 97.8

Bob Filner, D 96.7

Barbara Lee, D 96.7

Mike Honda, D 96.0

Hilda Solis,D 95.3

Maxine Waters, D 94.7

Lynn Woolsey, D 94.2

George Miller, D 90.7

Xavier Becerra, D 92.2

Diane Watson, D 92.5

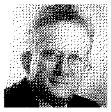
Lucille Roybal-Allard, D 91.3

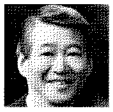
89.9-80

Nancy Pelosi, D 89.3

Sam Farr, D 88.8

Henry A. Waxman, D 84.2

Howard L. Berman, D 83.7



Robert T. Matsui, D 81.8

79.9-70

Zoe Lofgren, D 79.7

Grace Napolitano, D 79.7

Anna G, Eshoo, D 78.5

Juanita Millender-McDonald, D 78.5

Mike Thompson, D 77.2

Tom Lantos, D 73.8

Loretta Sanchez, D 73.3

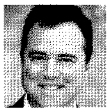
Susan Davis, D 73.0

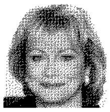
Joe Baca, D 72.5

Lois Capps, D 72.0

Brad Sherman, D 71.5

69.9-60


Adam Schiff, D 69.7

Ellen Tauscher, D 65.8


Calvin Dooley, D 63.2

Gary Condit, D 62.7

59.9 and less

Jane Harman, D 59.2

U.S. Senators

Barbara Boxer, D 93.2 Liberal

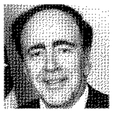
Dianne Feinstein, D 72.7 Liberal

The profile of California's Congressional delegation presented by the National Journal's vote analysis is a group that is heavily represented on the right and on the left with very little in between. Former Rep. Steve Horn (R-Long Beach), who was left without a seat after the last redistricting process, is the only member of the delegation to score near the center of the political spectrum. At the same time, Hayward Democrat Pete Stark tied for the most liberal in the House and Diamond Bar Republican Gary Miller tied for the most conservative. The magazine's annual rating is based on 121 key Congressional roll-call votes in 2002. On a scale of 1-to-100, each individual lawmaker is given an overall rating based on a calculation of votes on economic matters, social issues and foreign policy.

CONSERVATIVE

59.9 and less

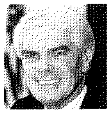
Bill Thomas, R
58.7


Steve Horn, R
51.7

Mary Bono, R
56.5

69.9-60

George
Radanovich, R
69.7


Jerry Lewis, R
69.0

Christopher
Cox, R
66.8

Dana
Rohrabacher, R
62.3

Doug Ose, R 61.3

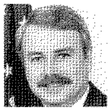
David Dreier, R
60.3

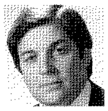
70-79.9

Randy "Duke"
Cunningham, R
78.2

Howard P. "Buck"
McKeon, R 77.7

Darrell Issa, R
74.5


Elton Gallegly, R
71.3

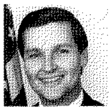

Duncan Hunter, R
70.2

89.9-80

Richard Pombo, R
89.7

Ken Calvert, R
83.8

Ed Royce, R
83.5

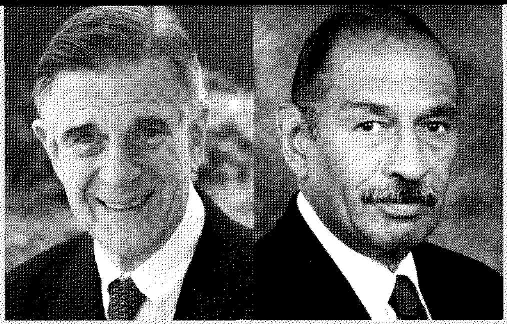

John Doolittle, R
82.8

Wally Herger, R
81.8

100-90

Gary Miller, R
91.8

Top House Liberals



California's Pete Stark ties Michigan's John Conyers for most liberal

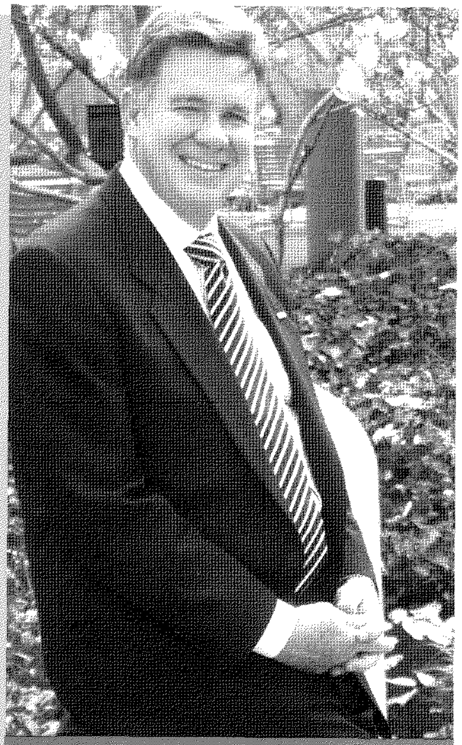
Top House Conservatives

California's Gary Miller ties 9 other congressman, including Florida's Adam Putnam (middle) and Texas' Sam Johnson (right), for the top conservative spots

CalPERS:

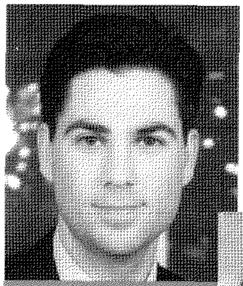
Brown takes one on the chin

Years ago, it would have been unthinkable that **Willie Brown** could lose an election to a post like the presidency of the California Public Employees Retirement System. But such is the waning influence of former Assm. Speaker Brown, who'll be termed out as mayor of San Francisco in January 2004. Brown lost his bid for CalPERS chief to labor leader **Sean Harrigan** despite the mayor having Gov. Gray Davis' backing for the job. The board voted 8-4 against Brown. With the loss, Brown might turn his gaze to the state Senate, where his old pal, John Burton, will also be termed out in January 2004 (see below). Harrigan, vice president of the United Food and Commercial Workers Union, takes over for the retiring William Crist. Upon election, Harrigan told reporters that CalPERS will become more involved in legislation that focuses on rising health care costs and will also look for better investment returns for state workers. Since 1999, the CalPERS assets have declined 23 percent.


Sean Harrigan

Campaign Watch

Democratic Senator Barbara Boxer will not face a challenge from National Security Adviser **Condoleezza Rice** in 2004. Rice, according to Robert Novak of the *Chicago Sun Times*, has expressed interested in running for governor of California in 2006. California Republicans are eyeing U.S. Treasurer **Rosario Marin** for a challenge to Boxer, according to published reports. Marin served seven years under former Gov. Pete Wilson. *The San Diego Union Tribune* reported that former Gov. and current mayor of Oakland, **Jerry Brown** has "dropped hints" about running against Boxer as a Democrat or an independent. A Brown spokesperson said the mayor hasn't ruled out a run. ... San Francisco Mayor **Willie Brown** hasn't yet decided whether he'll run for SD 3, said a spokesperson. The seat is now held by Sen. President pro Tem **John Burton**, who'll be termed out in 2004. Former Speaker Brown, who lost a recent bid to be president of CalPERS, has begun raising money for the Senate bid in the event he'll choose to run, said his spokesperson.... A battle is shaping up between Assembly GOP colleagues **Ken Maddox** and **John Campbell** for the 35th SD (coastal Orange County) Republican primary. Maddox is termed out of the Assembly in 2004 while Campbell is termed out in 2006. ... GOP Assm. **Robert Pacheco's** wife, **Gayle Pacheco**, has filed to run for the vacated Assembly seat against Republican **Denis Bilodeau**, who now serves on the Orange County Water District board of directors. Pacheco is termed out of the Assembly in 2004. ... Democratic Assm. **Manny Diaz** is eying a bid for the SD 13 seat, which will be vacated by the termed-out John Vasconcellos in 2004. Diaz could run against former Assm. **Elaine Alquist** in the primary. ... GOP observers say that Sen. **Thomas "Rico" Oller** will run for Congress if Rep. **Doug Ose** challenges Sen. Boxer for her seat. Oller isn't termed out until 2008. Assm. Minority Leader **Dave Cox**, who's termed out in 2004, will run for Oller's 1st SD seat, as will Republican **Vernon Pierson**, Amador County Chief Assistant DA. Republican Sacramento County Supe. **Roger Niello** has filed to run for Cox's seat and Sacramento County Sheriff **Lou Blanas** is rumored to be considering a bid as well. ... GOP insiders say that former GOP Assm. **Mike Briggs**, who was defeated in a 2002 Congressional primary, will challenge the scandal-plagued GOP Assm. **Steve Samuelian** in the 2004 GOP Assembly primary. Briggs still has two years left in the Assembly


Ken Maddox

John Campbell

before he's termed out. ... Republican **Audra Strickland** is running for the 37th AD seat, which is now held by her husband, Assm. **Tony Strickland**, who is termed out in 2004. ... Democratic Assm. **Rebecca Cohn** says she's running for the 15th SD seat, which is currently held by Republican Bruce McPherson, who's termed out in 2004. Republican Assm. **Abel Maldonado** also is running for the seat. A host of Democrats will compete for the 9th AD seat, which will open in 2004 when current Assm. **Darrell Steinberg** will be termed out. Sacramento City Council members **Dave Jones** and **Lauren Hammond**, Sacramento Police Chief **Arturo Venegas Jr.**, Sacramento County Supervisor **Roger Dickinson** and Sacramento school board member **Manny Hernandez** all told *The Sacramento Bee* that they are likely to run for the open seat.

Lobbying and PR

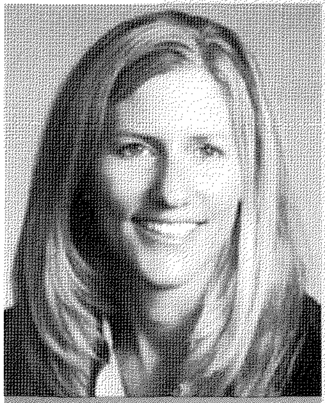
Former Assembly Speaker **Robert Hertzberg** was hired by public relations firm Fleishman-Hillard Los Angeles as senior consultant. Hertzberg is also a partner in law firm Mayer, Brown, Rowe, & Maw. ... **Ben Goddard** and **Rick Claussen** left Goddard Claussen Porter Novelli to start a new firm called GC Strategic Advocacy, which will specialize in advocacy advertising and ballot issue campaigns. ... The California Chamber of Commerce hired **Sara Lee** as vice president of media relations. Lee held a similar post at her previous job, with Goddard Claussen Porter Novelli. ... **Larry Stirling**, a judge in San Diego Superior Court, retired from the bench and joined lobbying firm Sacramento Advocacy. Stirling will open the firm's San Diego office. Stirling served California as an assemblyman and senator in the 1980s. ... The Southern California Association of Governments has two new registered lobbyists in **Alfredo Gonzalez** and **Donald Rhodes**.

Government

CalPERS named **Vincent Brown** and **Loren Suter** as its deputy executive officers. Brown has served as CalPERS assistant executive officer of financial and administrative services since 1995, while Suter comes to CalPERS from the Dept. of Insurance. ... Assm. Dario Frommer (D) hired **Karen S. Kim** as his press secretary. Kim worked formerly for the Times Community News division of the *Los Angeles Times*. ... Assm. Nicole Parra (D) hired **Nicole Winger** as her press secretary.

Lobbying:

Health care advocate gets new post


Jennifer Hendrick-Snyder

Jennifer Hendrick-Snyder recently joined lobbying firm Capitol Advocacy from the California Healthcare Association, bringing with her a wealth of experience on health care issues. Prior to working at CHA, Hendrick-Snyder logged time at the California Alliance of Child and Family Services and California Association for Health Services at Home. Hendrick-Snyder also worked for then-Democratic Sen. (now U.S. Rep.) Mike Thompson.

Other

Alexa Bluth has been hired by *The Sacramento Bee* from the Associated Press. ... The Associated Press hired **Tom Chorneau** to cover the Capitol. Chorneau was formerly a reporter with the *Santa Rosa Press Democrat*. ... **Jim Miller** goes to the *Riverside Press Enterprise's* Capitol bureau from the *Modesto Bee's* Capitol bureau. ... Sen. **Jeff Denham** has been appointed to the California Emergency Council. ... Gov. Gray Davis appointed **A. John Shimmon**, father of one of Davis' biggest campaign contributors, to the state Workers' Compensation Appeals Board where Shimmon will make $114,191-a-year. ... Gov. Davis reappointed **Elihu Harris**, former assemblyman and Oakland mayor, as a member of the Unemployment Insurance Board. Harris will make $114,191 a year. ... Gov. Davis reappointed **Arthur Baggett**, a lawyer and former Mariposa County Board of Supervisors, to chair the State Water Resources Board at $117,818-a-year. ... Former Democratic Assm. **Tom Calderon** was appointed by Assm. Speaker Herb Wesson to the California Medical Assistance Commission. Calderon, who'll make $99,000-a-year, lost a primary bid last year for insurance commissioner. ... Wesson also appointed termed out Democratic Assm. **Virginia Strom-Martin** to the California Unemployment Insurance Appeals Board, where she'll make $114,191 a year.

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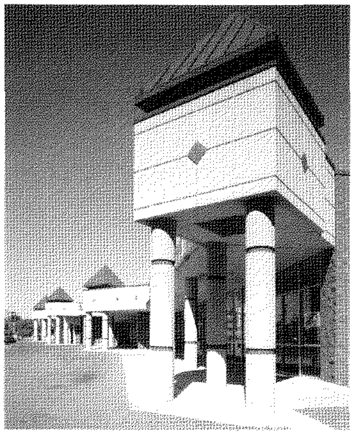
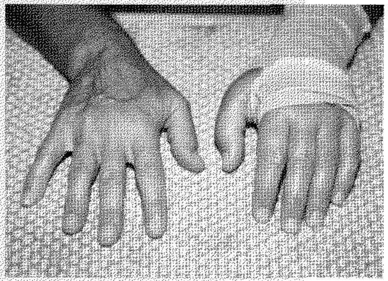
from their legislation

California Journal asked some of the major organizations with interests in the Capitol to list their biggest legislative priorities for the 2002-2003 session. Not surprisingly, much of what has lobbyists' attention involves the budget in some way. For instance, SB 17, a bill by Sen. Martha Escutia (D-Whittier) to create a "split-roll" property tax system, has both the attention of the California Chamber of Commerce and the California Manufacturers and Technology Association. Both groups oppose the measure. Here are some of the other priorities:



California Chamber of Commerce

SB 414 (McClintock) Workers' comp: Seeks to improve the definition of "injury" under the workers' compensation system. The bill raises the standard of proof for employees who claim that an injury or disease is related to their employment. ***Support.***



SB 1 (Speier) Privacy: Requires banks and insurers to obtain written consent before selling information about a consumer. Requires banks and insurers to give consumers a way to stop their information from being distributed to affiliated companies. ***Oppose unless amended.***

SB 2 (Speier), SB 921 (Kuehl), AB 1527 (Frommer) Health care: Three bills that move California toward universal care. Speier's bill requires employers to provide medical benefits or pay taxes to create a benefit system. Kuehl's bill establishes a state-run, single payer health care system. Frommer's bill phases in a universal health care system. (See story page 6) ***Oppose.***

California Manufacturers and Technology Association

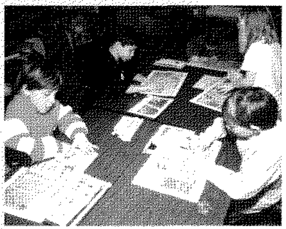
SB 57 (Burton) Minimum wage: Automatically adjusts the hourly minimum wage on January 1, 2004, and annually thereafter, based on the federal Consumer Price Index. ***Oppose.***

SB 47 (Ackerman) Manufacturers investment credit extension: Eliminates the 100,000 manufacturing job creation threshold (in the original statute) and extends the 6-percent tax credit on certain equipment purchases indefinitely. ***Support.***

AB 599 (Dutton) Frivolous lawsuits: Imposes stiffer requirements regarding unfair competition actions brought by anyone other than the attorney general, a district attorney, a county prosecutor or a city attorney. ***Support.***

California Teachers Association

AB 42 (Daucher) Class size reduction: Allows school districts to qualify for the state's Class Size Reduction (CSR) Program if the average class size ratio for CSR classes at each school remains at 20:1, as long as no individual class exceeds 22 pupils per teacher. Removes state mandate that prescribes the grade-level priority in which schools must reduce their class sizes. ***Oppose.***



SB 6 (Alpert) Education overhaul: Transfers management responsibility for the Department of Education to the governor's office from the Superintendent of Public Instruction, who would remain an elective officer and would monitor school performance. Reconfigures administration of community colleges. ***Opposes the portion of the bill that would consolidate power in the governor's office.***

The California

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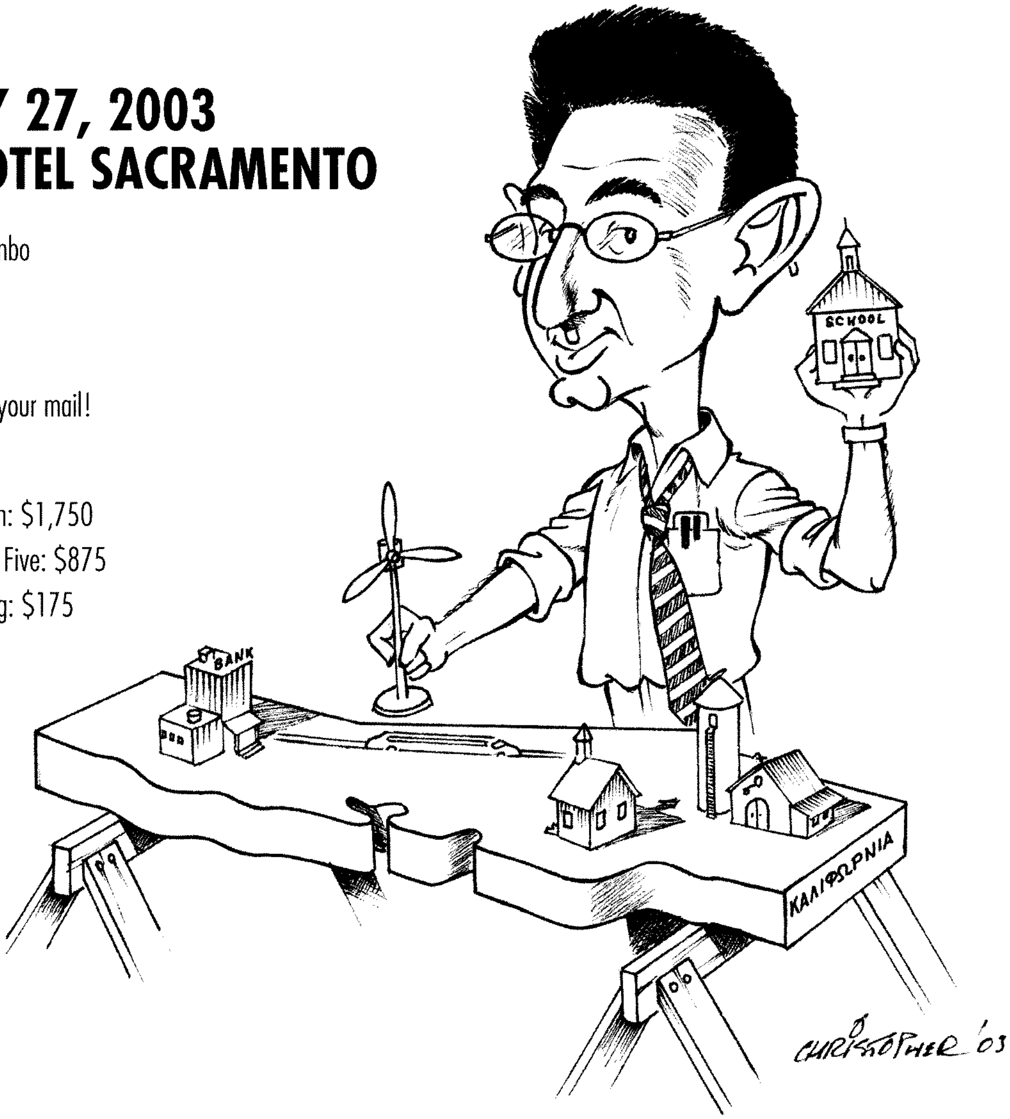

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The new water war:

Editors note: *Fifteen years ago, as population grew throughout America's desert Southwest, California agreed to stop using more than its share of water from the Colorado River. But last Dec. 31, when the state failed to meet a final deadline, federal authorities stepped in and cut the flow to the state. This story is a comprehensive look at the emotional and complex search for a new water agreement between city officials, farmers, environmentalists, neighboring states, federal authorities and the leadership in Sacramento. At press time, Gov. Gray Davis announced a new proposal to resolve the matter. His plan would provide $350 million in state funds and loan guarentees to subsidize water purchases and protect sensitive wetlands. It's the latest of many proposals and it faces a long road to agreement, if it's successful. For now, it's the latest battleground in California's history of Water Wars.*

By Margaret Kriz

In the West's escalating water wars, U.S. Interior Secretary Gale A. Norton is one of the biggest guns. She controls gigantic spigots along the lower Colorado River, and on January 1, she demonstrated her power by turning off about one-fifth of the water that had been flowing into Southern California.

Now farmers in what's known as the Imperial Irrigation District — which annually yields $1 billion worth of cash crops, including much of the nation's alfalfa — are fighting back. Last month they asked a federal court to force the Interior Department to restore the water flow to its previous level.

This particular skirmish is the latest twist in an epic water fight between Southern California's farmers and its cities. But the conflict is far from unique. Throughout the nation, the fresh-water wants and needs of city dwellers increasingly collide with those of farmers. And environmental issues often complicate the search for equitable solutions.

The Imperial Irrigation District is one of four Southern California water agencies making claims on water from the Colorado River. By law and tradition, the region's agricultural interests have the right to 80 percent of the water coming into the state from federal water projects along that river. But as the state's coastal urban and suburban populations continue to mushroom, the cities have declared that their 20 percent simply isn't enough.

Meanwhile, the other states along the Colorado River — Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming — are demanding that California stop and make deals with farm communities to ensure sufficient water supplies for their cities and suburbs.

from the National Journal

With water demands increasing and shortages spreading, Norton insists that federal water-use restrictions must be strictly enforced. "These factors herald a new era of limits on Colorado River water use," she informed the Colorado River Water Users Association in December. "We are at a turning point in the history of the Colorado River."

Southern California's water problems sharply escalated late last year, when-after nearly a decade of negotiations, a plan to divert more of the Colorado's water to urban areas fell apart shortly before the December 31 deadline. The plan had been for the Imperial Irrigation District to sell some of its water to San Diego. In return, the federal government was to give Southern California another 15 years to lower its consumption of Colorado River water to legal levels.

In addition to the Imperial Irrigation District, the water agencies trying to come to a meeting of the minds included the Metropolitan Water District of Southern California, which serves Los Angeles and San Diego; Coachella Valley Water District; and the Palo Verde Irrigation District.

Under a 1929 agreement, California has a legal right to only 4.4 million acre-feet of Colorado River water each year. (An acre-foot is the volume of water that would cover an acre 1 foot deep. It is 325,851 gallons — enough for five people for a year.) In the past, Southern California routinely exceeded its water allotment by 18 percent, withdrawing 5.2 million acre-feet from the Colorado. On January 1, Norton immediately limited Southern California to 4.4 million acre-feet.

Norton, who by law is the "water master" of the lower Colorado, also redistributed the water among the four

U.S. vs. California

Parched salty earth on the banks of the Salton Sea

California water agencies, dramatically reducing the proportion going to Imperial Valley farmers, whose Colorado water rights date back to the 1880s.

The Southern California water negotiations broke down because there was no agreement on how to protect an accidental lake created in 1905 when a levy burst and Colorado River water gushed into a massive desert basin for more than a year. That lake, the Salton Sea, is located near California's borders with Arizona and Mexico and is now 35 miles long and 15 miles wide. It continues to exist only because of runoff from neighboring agricultural regions, primarily the Imperial Irrigation District.

Despite its inglorious beginning, the Salton Sea is a haven for a wide variety of fish and millions of migratory waterfowl. It's an increasingly important wildlife refuge because development has destroyed 95 percent of California's native wetlands. "The sea was a historical accident, but now it is an ecological necessity," according to Stanley Young, a spokesman for the California Resources Agency.

The Salton Sea has no outlet, however, and is gradually dying — becoming more polluted, more saline, and less hospitable to fish and birds. The pace of the lake's decline will depend on how much irrigation runoff continues flowing into it.

During early negotiations on the Southern California water-use pact, the four water agencies barely considered the consequences their decisions would have for the Salton Sea. "Everybody knew the issue was out there, but to some degree everybody had their heads in the sand and hoped it wouldn't become the problem that it ultimately did," recalls Barton H. Thompson Jr., head of Stanford University's environmental and natural resources law and policy program.

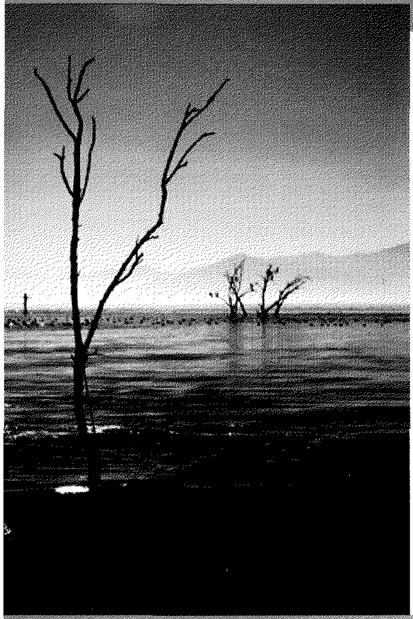
The plan's initial drafts called for the Imperial Irrigation District to sell 300,000 acre-feet of Colorado River water to San Diego and a smaller water district. In return, San Diego would pay for new water-conservation projects in the Imperial Valley. Bennett Raley, assistant Interior secretary for water and science, said the deal would be "the largest and most important water transfer that has ever occurred."

The proposed pact collapsed because the water agencies, prodded by environmental activists and state officials, failed to agree on what to do about the Salton Sea. If the Imperial Valley farmers conserve more water, they will create less runoff and will greatly speed up the demise of the lake — pushing it to a crisis point within 10 years instead of 30 or 40, according to the Salton Sea Authority, which oversees the lake.

The Salton Sea Authority estimates that the proposed water transfer would cause the level of the sea to drop 16 feet, exposing 70 square miles of lakebed sediment and likely triggering dust storms. The water diversion would also quickly increase the lake's saltiness, killing fish and starving out the migratory birds that feed at the lake.

Those environmental concerns led to suggestions that, rather than install new conservation systems, the Imperial Irrigation District should take some farmland out of production and allow part of the district's water to flow directly into the Salton Sea. Imperial officials balked, arguing that fallowing land would hurt the local economy. Fearful of being held legally responsible if an eventual pact harmed endangered species, the farmers'group essentially killed the deal.

Interior Department officials have steadfastly insisted that worries about the Salton Sea should not impede the water-transfer agreement. "The department's position from the very beginning has been that the restoration of the Salton Sea is and has to remain a separate issue from the California plan," says Raley, who is Norton's chief negotia-



Three views of the Salton Sea.

tor on the issue. "California's obligation to limit its water use to 4.4 million acre-feet exists separately and is not in any way changed by the fact that it's hard for California to do it in a way that the state finds acceptable. Even if they have concerns about the Salton Sea, they have to meet 4.4."

California environmentalists see the water negotiations as their big opportunity to save the Salton Sea. "This is our chance to get a long-term restoration plan for the Salton Sea, to negotiate it with the state and federal government and the water agencies, and to get everyone on the same page with regard to the sea's future," argues Karen Douglas, who is with an environmental coalition known as California's Planning and Conservation League.

Meanwhile, California Governor Gray Davis (D) is pushing the four water agencies to sign a water-transfer pact in the hope that such an agreement would lead Norton to reverse herself and give the state an additional 15 years to bring its consumption of Colorado River water down to the 4.4 million-acre-feet limit. Urban water districts say that if Norton doesn't turn the spigot back to the previous level, they will be fine for at least two years. But Imperial Valley farmers will start running short of water in late November.

A river runs through it

The headwaters of the Colorado River, the lifeblood of the Southwest, begins in the trickling tributaries of northern Colorado's Rocky Mountain National Park. The river winds its way through Colorado, Utah, and Arizona and skims the Nevada and California borders before emptying into the Gulf of California in northwestern Mexico. Along the way, the Colorado provides 7.5 million acre-feet of water to states in the northern basin — Colorado, New Mexico, Utah, Wyoming, and a corner of Arizona. Another 7.5 million acre-feet are available to the southern basin states — California, Nevada, and the bulk of Arizona.

The Colorado River plays a critical role in nurturing the Southwest. "All of the fastest-growing urban areas are in the arid West," observes Joseph L. Sax, who served in the Interior Department during the Clinton administration and now is a professor of environmental law at the University of California (Berkeley). "They're not all on the Colorado River, but if you go down the list of cities that get water from the Colorado — there's Albuquerque, Tucson, Phoenix, Las Vegas, the cities in Southern California — that's where much of the urban growth is."

In the 20th century, the federal government greatly enhanced the river's importance by building several colossal water-storage facilities along its length. In 1928, Congress approved the Hoover Dam, which created the Lake Mead reservoir. In the 1950s, lawmakers funded the Glen Canyon Dam, which generated Lake Powell's water-storage area. All told, the federal government can set aside 60 million acre-feet of water along the Colorado — a four-year supply for those who use the river's water.

Today, the West is into the fourth year of a drought. But thanks largely to the federal government's storage facilities, water shortages are scarce.

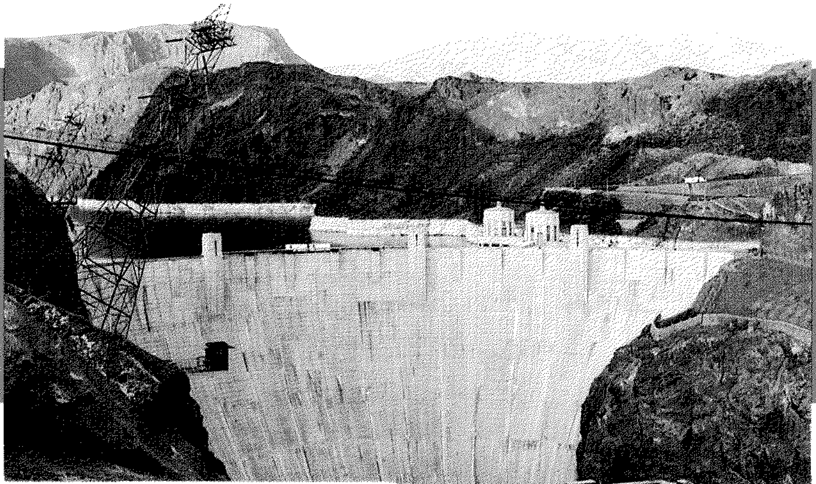
Nonetheless, Interior Department officials say that their reserves are at historic lows. As measured by Lake Mead's water level, water supplies haven't been this low since the Lake Powell storage area began to be filled 37 years ago. "If it weren't for federal water storage, California would have been in crisis several years ago," Raley says.

The drought and the West's population growth have combined to heighten questions about how California can permanently live within its legal limit of 4.4 million acre-feet of Colorado River water. Most analysts believe that the answer is that the state's farmers will have to cut back their consumption.

Yet Imperial Irrigation District officials contend that, because the desert soil is so salty, local farms need a steady flow of water to flush crop roots. Imperial Valley farmers could lower their water use by switching to crops that require less water, but they have been reluctant to do so. Besides, Imperial officials insist that they have already adopted conservation measures.

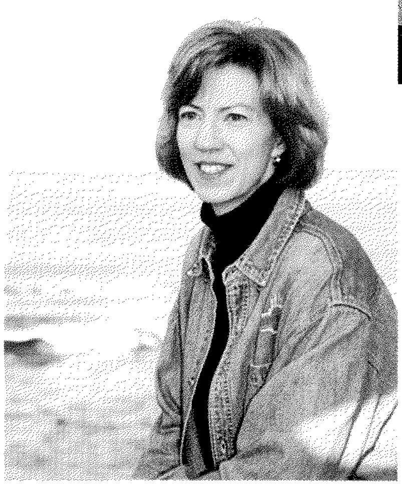
Meanwhile, Southern California's cities and suburbs are not yet operating in a crisis mode. They continue to build golf courses and new subdivisions with lush green lawns in the desert. Southern California communities are considering a variety of options to meet their growing water needs.

"You have to get the water somewhere," notes Thomas Graff, regional director of Environmental Defense, an environmental group. "You can do some conservation.



Hoover Dam controlling the Colorado River system.

California environmentalists see the water negotiations as their big opportunity to save the Salton Sea.



Gale Norton, Department of the Interior secretary.

You can do some water reclamation. You can build some desalinization plants. But down the road, that won't be enough. Ultimately, you're going to have to get it from the farmers."

Raley notes, "In the early 1990s, it was widely accepted that the only way for California to ramp down to 4.4 [million acre-feet] in a way that didn't cause serious concerns was to have a transfer of water from agricultural to municipal uses."

He argues that the proposed water transfer from the Imperial Valley to the San Diego area has the blessing of Congress. The 1998 Salton Sea Reclamation Act "directed the Bureau of Reclamation to look at a range of scenarios that included a reduction of Salton Sea inflows," Raley says. "Congress anticipated that the transfers are going to go forward."

A line in the sand

No one knows what will happen next in Southern California's watery soap opera. But it's clear that Norton, a former attorney general of Colorado, isn't going to let California's Colorado River water consumption return to traditional levels — at least not until the four water agencies sign a water-use pact. Her hard-line stance doesn't play well in California, but it has won her considerable praise elsewhere in the West. If Southern California appeals to Congress for a reprieve, it is unlikely to find a sympathetic ear in the Senate; Republican Pete V. Domenici chairs the Energy and Natural Resources Committee, which has jurisdiction over water policy. After all, Domenici is from New Mexico, which competes for Colorado River water.

Within California, Norton's intransigence is likely to cause the four water agencies to look northward for more water. "The traditional source of water anxiety in California is that the south always looks to the north, which does not want to export more water," professor Sax says. "If there is a long-term deficit from the Colorado River supply, that's something everyone is going to be very uneasy about."

But Southern California's ability to strong-arm Northern California might be held in check by one Northern California rancher, Representative Richard Pombo, now chairman of the House Resources Committee. Pombo is a Republican who represents California's agriculturally rich Central Valley.

Some environmentalists argue that California should focus its lobbying efforts on continuing to get enough Colorado River water to sustain the Salton Sea. Senator Dianne Feinstein (D), and Representative Mary Bono (R-Palm Springs) whose district includes part of the Salton Sea, are pushing Interior to solve the sea's environmental problems.

In January, the Interior Department estimated that preserving all or part of that body of water would cost anywhere from $800 million to $35 billion and then punted the issue to Congress: "Given that all of the alternatives identified to date are extremely expensive, it is difficult, if not impossible, to make any recommendation without a decision by Congress regarding the relative importance of the [Salton] Sea in light of other pressing national priorities."

Within the Imperial Valley, the most important question isn't how much runoff there will be into the Salton Sea, but how much irrigation water will flow into the desert farming area in the first place. The 6,500 square-mile farming district is in extreme Southern California. Imperial is the state's poorest county, with an unemployment rate of roughly 20 percent. Yet the sparsely settled district holds water rights for 2.85 million acre-feet of Colorado River water — more than the rights held by Los Angeles, San Diego, and the rest of Southern California combined. Imperial's water is primarily used to irrigate 500,000 acres of farmland. And federal and state officials have accused the district of wasting water.

Any water pact negotiated by the four Southern California agencies cannot take effect without the approval of each agency's board and of the Interior Department. The Imperial Irrigation District board is elected by residents of the irrigation district, not just by the farmers who own water rights and who would potentially gain by selling those rights to cities. As a result, the board is wary of any

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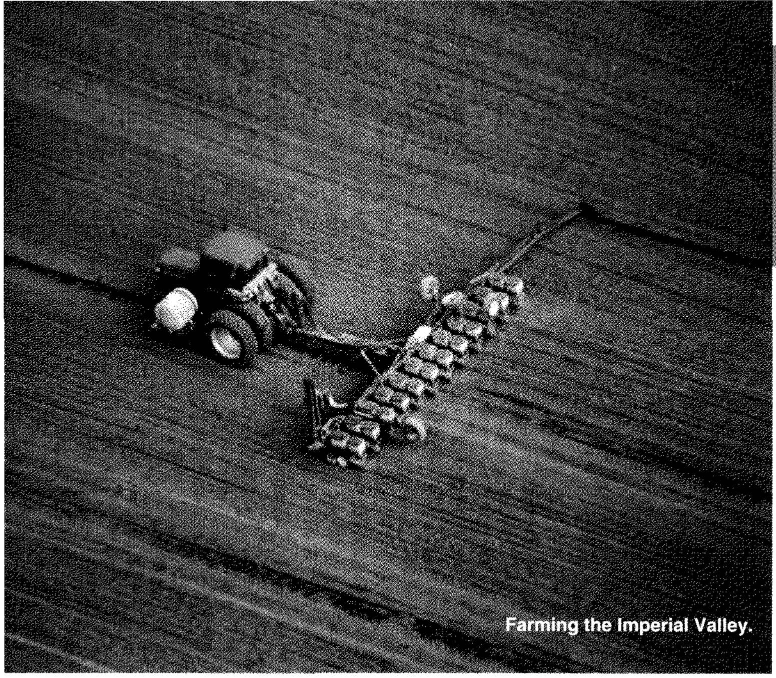

Farming the Imperial Valley.

"Imperial Valley is now being asked to share not only its water rights but its economy as well."

— John P. Carter, counsel to the Imperial Irrigation District

pact that might hurt the area's economy and opposes suggestions that local land be fallowed to help preserve the Salton Sea. "Imperial Valley is now being asked to share not only its water rights but its economy as well," the Imperial Irrigation District's general counsel, John P. Carter, charged at a state legislative hearing in January. "Fallowing will severely impact the Imperial Valley.... It's just not fair to ask, demand, or threaten Imperial Valley to risk its economy for the benefit of others."

Environmentalists acknowledge that fallowing cropland could hurt the Imperial Valley's economy. But they argue that the region can afford to reduce its water consumption. "Imperial uses a huge amount of water there — almost 3 million acre-feet. If you cut it by 10 percent, you've still got a massive agricultural sector," notes Graff. "They're ignoring the huge financial benefits that at least some within the Imperial Valley would glean from the transfer."

Graff argues that the solution to the region's water wars is for all farmers and land developers to buy and sell water rights. That's difficult in the Imperial Irrigation District, where the district board holds the water rights in trust for the farmers. Because of that, any sale would have to be approved by the board, not by individual landowners.

In parts of California, water rights are already being sold. In February, Sacramento Valley rice farmers agreed to idle some of their lands in order to sell 100,000 acre-feet of water to the water district for Los Angeles and San Diego. The farmers are being paid $9.7 million for the one-year deal.

Stanford's Thompson, who also supports water trading, acknowledges that many farmers aren't keen on the idea. "The problem is, we've never really had much in the way of water markets in the West," he says. "Farmers generally dislike the notion of giving up any of their water, even if they are getting money for it. And they certainly don't want it taken away from them."

Nonetheless, water is going to shift from California's agricultural regions to its urban centers. "That's inevitable," Thompson says. "Water markets permit you to move the water in a way that doesn't incur all the costs of litigation and people yelling at each other. If you use the money wisely, you can build up a new infrastructure for different types of industries. Agriculture, in a lot of these regions, isn't going to last forever," he adds.

But environmentalists say that water transfers should not be permitted unless the water pacts take into account the effect on local ecosystems.

"The Interior Department's perspective has always been, `Do the transfer, and then worry about the Salton Sea,' " says Douglas of the Planning and Conservation League. "We said, `We need to have a vision of what's going to happen to the sea before we take the big step of taking away the water. We could end up with another Owens Lake.'"

California's Owens Lake and Mono Lake are the poster children for the environmental disasters that can occur when too much water is diverted to municipal use. Over the past century, those two natural lakes in south central California have become victims of Los Angeles' voracious thirst. LA's diversion of water away from the lakes caused Owens Lake to dry up completely and is dramatically changing the ecology of Mono Lake. So much lakebed has been exposed in both cases that neighboring areas suffer serious dust storms. Today, hoping to resurrect the ecosystem of Mono Lake, state officials have forced Los Angeles to cut back on the amount of water it takes from the lake's tributaries.

Because the Salton Sea is not a natural lake, its situation is more complex. Even if the Imperial Irrigation District doesn't sell a portion of its water rights to the cities, the sea will continue dying unless governmental action keeps it from slowly drying up. Diverting Imperial Valley water to the cities would merely speed up the lake's decline.

Meanwhile, the Imperial farmers are going to federal court for help in their quest to force Norton to turn the flow of the Colorado River water back to its traditional level. Drought and California's phenomenal growth rate have combined to create the Southern California water crisis. Other parts of the West are already wrestling with similar conflicts among urban developers, farmers, and environmentalists.

"Water needs to move to wherever the greatest needs of society are," Interior's Raley insists. But just what are society's greatest needs? Like a mighty, untamed river, debate over that question will rage everywhere that interest groups compete for fresh water. 🏛

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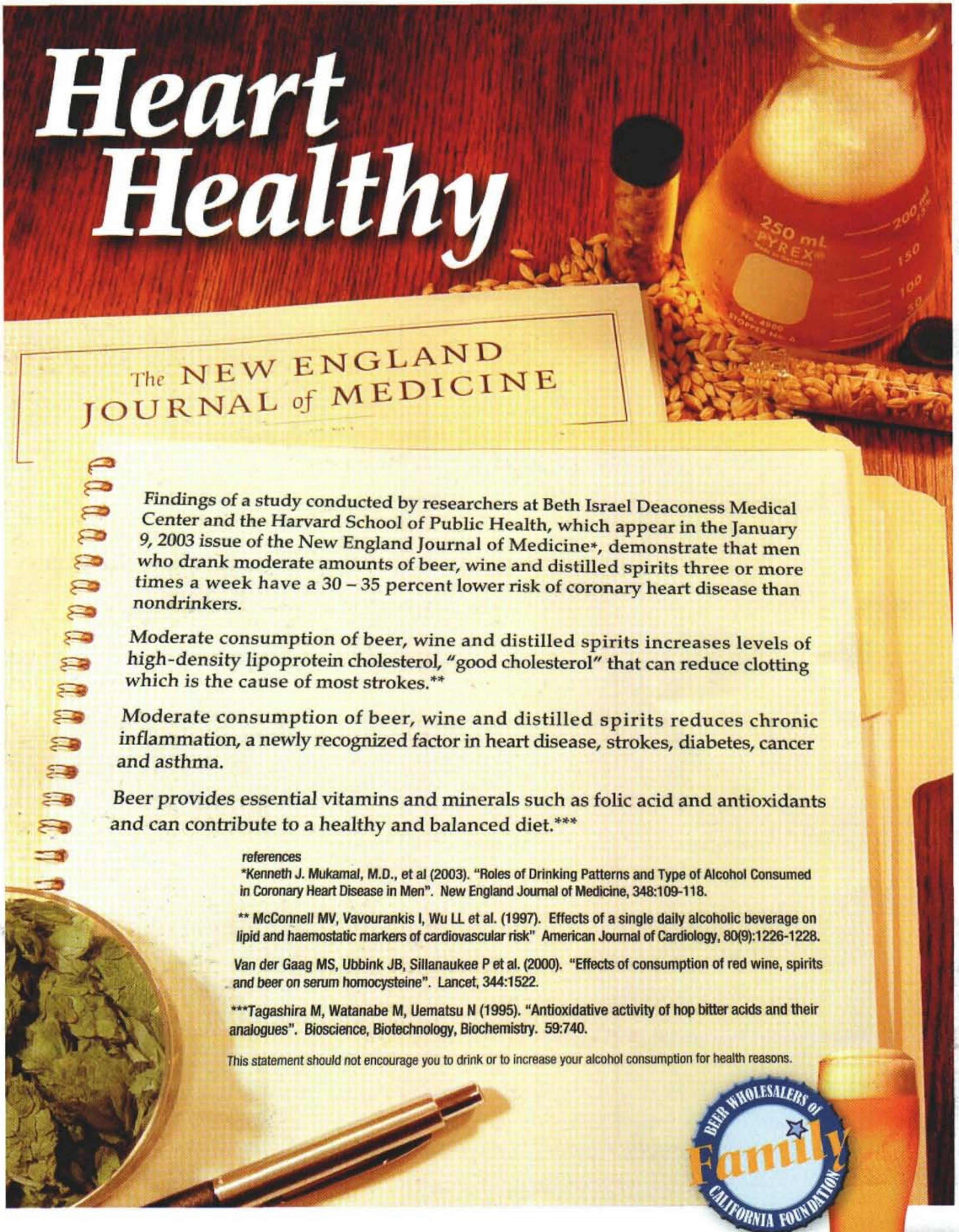

Heart Healthy

Findings of a study conducted by researchers at Beth Israel Deaconess Medical Center and the Harvard School of Public Health, which appear in the January 9, 2003 issue of the New England Journal of Medicine*, demonstrate that men who drank moderate amounts of beer, wine and distilled spirits three or more times a week have a 30 – 35 percent lower risk of coronary heart disease than nondrinkers.

Moderate consumption of beer, wine and distilled spirits increases levels of high-density lipoprotein cholesterol, "good cholesterol" that can reduce clotting which is the cause of most strokes.**

Moderate consumption of beer, wine and distilled spirits reduces chronic inflammation, a newly recognized factor in heart disease, strokes, diabetes, cancer and asthma.

Beer provides essential vitamins and minerals such as folic acid and antioxidants and can contribute to a healthy and balanced diet.***

references

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